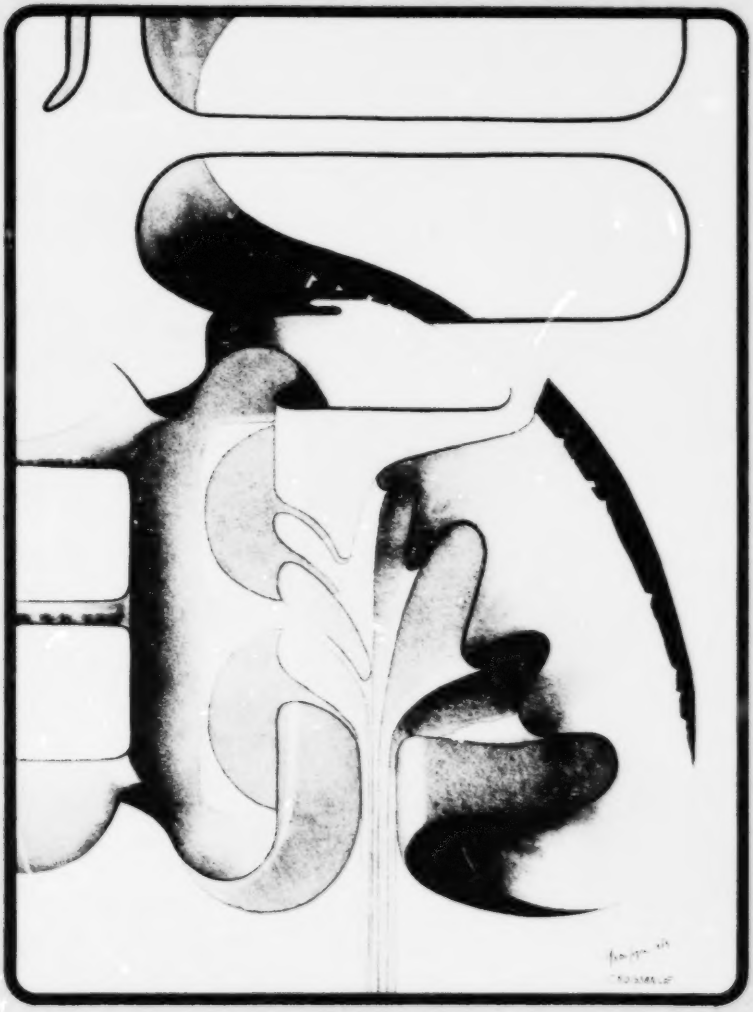
NEW AGE BUSINESS

Community Corporations That Work



Greg MacLeod

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New Age Business

New Age Business
Community Corporations that Work

Greg MacLeod

Canadian Council on Social Development
Ottawa

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To Mary O'Neil

TABLE OF CONTENTS

FOREWORD ix

INTRODUCTION 1

CHAPTER 1: THE CHANGING ECONOMIC CONTEXT 6

CHAPTER 2: NEW DAWN 12

BACKGROUND
- Cape Breton Island: People and History
- Self Help in the Thirties — The Co-ops
- Centralization and Post-War Depletion
- Resisting the Trend

NEW DAWN: BUSINESS FOR PEOPLE
- The First Venture
- Developing Structures
- The One-Million-Dollar Mark
- Problems of Rapid Growth
- Structure and Financing

CHAPTER 3: J.A.L. IN QUEBEC 26

BACKGROUND
- Resettlement in the Thirties
- Development
- Depopulation
- Resistance

DÉFAIRE LA DÉFAITE
- The Woodlot Today
- Further Projects
- The SAIREQ Federation

CHAPTER 4: MONDRAGON IN SPAIN 38

BACKGROUND
- First Impression
- Civil War: 1936-39
- The Founder
- Capital and Cooperatives
- ULARCO Federation

MONDRAGON: NO SOLITARIOS SINO SOLIDARIOS
- The Worker-Member
- Managers
- The Money Question
- Support Cooperatives
- The Credit Union (Caja Laboral Popular)

- Areas of Service
- Sources of Success

CHAPTER 5: COMMUNITY DEVELOPMENT CORPORATIONS 54

- The Concept
- Goals and Objectives
- Requirements for Success
- Process and Participation
- Role of the Board
- Board Selectior
- Board Education
- Staff

CHAPTER 6: START-UP AND FINANCING 66

- A Mondragon Example
- Company Takeovers or Bailouts
- An Operational Model

EPILOGUE 75

APPENDIX I : Contacts 76
APPENDIX II: Activities of Community Development Corporations 77

SELECTED BIBLIOGRAPHY 80

LIST OF ABBREVIATIONS 82

FOREWORD

In recent years, the Canadian Council on Social Development has become increasingly concerned that full employment, the very foundation for the proper functioning of our welfare state, can no longer be taken for granted. In the Post World War II era of sustained economic growth, private sector enterprise assisted by selective government economic and social interventions provided unprecedented increases in material prosperity and social security.

The resulting welfare state worked reasonably well for the economically disadvantaged, while the overwhelming majority of Canadians drew their social and income security through expanding paycheques. But as unemployment increased in the 1970s and remained high in the 1980s, and as economic growth slowed, governments found it increasingly difficult to accept — or to pass on to taxpayers — the growing costs of publicly assisted social programs. Consequently, we now witness sustained attempts to cut back on hard-won and previously accepted social security practices and benefit levels.

This is the "crisis" of the welfare state, as it is frequently referred to. At the centre of this crisis is the quality and quantity of employment opportunities. No longer able to assume that the traditional mixed free enterprise system can provide full employment and sustain welfare-state activity at levels we have come to expect, we must now seek new ways to both attain full employment and provide income security and needed goods and services to the increasing numbers shunted to the wayside by traditional economic mechanisms.

As a result, the CCSD is among a growing number of organizations exploring new ways for supporting paid employment and for providing needed goods and services in communities. One promising avenue the Council is encouraging and researching is employment development through local economic initiative. It is within this research and policy development effort that the CCSD supports and welcomes this timely volume on community business.

TERRANCE M. HUNSLEY
Executive Director

ACKNOWLEDGEMENTS

The manuscript for this book evolved radically as it passed through a variety of hands: Leo Serroul, Jim McNiven, Gregory Baum, Leo Jessome, Tom Kent, Phylidda Kent, Mary Hegan, Allan Clark, Dal Brodhead, David Ross, Allister MacLeod, Mike Keyes, John Capstick, Struan Robertson, Peter Kavanagh, Dan Doucet, Helen Perry, Stewart Perry, Frank Rudderham, Charles and Sharon MacDonald and friends at the Vanier Institute. In addition, many persons it has been my good fortune to be associated with over the years in *New Dawn* have contributed in innumerable ways. This book, in short, like community development corporations, is a group effort. I thank you all.

I also wish to thank Yvon Lajoie for expressing in art what I am attempting in words. The word "holistic" is used to indicate that every part of reality is interconnected. To deal with one dimension without dealing with the others will lead to distortion. To speak of the economic dimension without integrating the social, or the cultural, distorts reality. Yvon Lajoie is a Quebec artist who attempts to see man-made structures as related to, and growing out of, the natural environment. His works have been exhibited in Europe and Canada.

INTRODUCTION

This book, originally planned as a text-book, has become the story of my personal journey of discovery into the new social and economic realities of our time. Since grade school I have been an admirer and supporter of the cooperative movement as a means of making the world better. Along with many of my generation, I was active in a wide variety of movements which characterized the 60s and 70s. This period has been one of evolution in the search for a better world: student demonstrations, welfare and housing rights, advocacy groups, community development strategies, and now, community economic development.

Because of what I have experienced over the past two decades, I have been forced to change my ideas a number of times. (I tend to be loyal to people, not to ideas.) This book is addressed to the many people who are still actively trying to solve today's severe social and economic problems. Perhaps sharing my experiences and personal reflections will prove to be useful to them.

When I look back on my personal journey, I am amazed at the logic and counter-logic of developments that I have seen. After finishing my studies in Europe in 1969, I decided to return home via Latin America, where I stayed with families of friends I had met while studying. Since Latin Americans were my hosts, I tended to share their view of the world rather than adopting that of a North American "aid-specialist." At least I like to think that I did.

Someone told me this story: a North American peace corps worker had observed a peasant lounging around while his field was only half ploughed. After a couple of days, the young man asked the peasant, "Are you going to plough the other half of the field?" The peasant answered, "Why should I when that will be plenty for me and my family?" "Well, if you plough more, you could sell the extra produce and get extra money." "What do I need extra money for?" "Well, I imagine you could buy an automobile." "What do I need an automobile for?" "You could use it to go to town which is 20 miles away." "But I have my donkey and he carries me to town when I want to go." "But that takes hours. The automobile will do it in half an hour, and imagine the extra time you would have." "And what do I need the extra time for?" The young man answered, "You could use it to do more ploughing to make enough money to pay for the automobile."

Many educated Latin Americans expressed resentment at the tendency of North Americans to impose solutions to their problems. One person showed me cash-flow figures indicating that North America had taken more money out of Latin America than it had put in. Much of the aid was in the form of credits which could be used to buy goods — but only goods produced in North America. I am not attempting an analysis of North-South problems; I wish merely to indicate the phenomenon of the outsider attempting to solve the local problem, and to raise the question of who is being helped the most — the giver or the receiver of aid?

Following my stay in Latin America, I came to Montreal where I really felt that I had left the third world. Montreal was booming. I had never seen anything like the Place Ville Marie. When I finally arrived in Cape Breton, I had the strangest sensation that I was back in the third world, except that this was my home and these were my people. Everything was the same as before — only older and more rundown. Coal mines were being closed as well as government institutions which were being moved to Halifax. Unemployment was high and more and more people were leaving the region. Everybody was talking about "growth centres." Experts had decided that Halifax and Port Hawkesbury were the Nova Scotia growth centres.

I remembered being in England and hearing talk of "growth points." This meant closing down old neighbourhoods. Now it appeared to be an international planning strategy.

I read a newspaper article reporting that a study by the Rockefeller Institute recommended closing down most of the small towns in the USA because they were not viable. I also attended a meeting in Halifax, where planning specialists stated that the population of Halifax would have to double if Halifax were to be a regional capital along the lines of Montreal or Boston. I was alarmed because the obvious question for me was where would they get the people to fill up Halifax? Obviously they would beat the bushes all over Nova Scotia to find more people. I was upset at an obvious plan to reduce the population of regions like Cape Breton.

Of course, fresh from post-graduate studies, I felt obliged to check out the "scientific" claims being made. I telephoned Jane Jacobs, an economist in Toronto, who had written about cities. I explained to her some of the claims being made, and asked if a city had to reach a population size of around half a million before being viable. She said no, size is not very relevant. The key is the kind of dynamic relations that build up within a city. A city can be large or quite small, and still be dynamic. The population of Athens was only 60,000 around the time of the great achievements of classical Greece.

Shortly after, I saw a television news report on Bathurst, in northeast New Brunswick, a region with similarities to Cape Breton. The local economy was based on mining, forestry and fishing. Enterprises were closing down, and people were being encouraged to emigrate to the "growth centre" of Moncton. What struck me, to put it

mildly, was that government officials were using exactly the same language I heard used in Nova Scotia. It was obviously a "master plan" for the Atlantic provinces.

I was so caught up in the parallel that I drove to Bathurst to visit. I made contact with CRAN, a community group organized by a local priest. I still have a cedar box built by one of the small enterprises they had established in an attempt to keep earning a living there. They explained that the government was buying up farms in small villages and encouraging people to move. I remember walking around a little village, looking at abandoned houses, most of which didn't look any worse than my own family home. They took me to a public housing project with an asphalt playground for children in Bathurst, and I remembered some of the little old houses back in the village, with fields, brooks and trees, and space for a garden. These are some of the memories that are stirred when today I read a comment by Father Charles Banville of East Quebec when he says, "They tear people from one milieu with 40 per cent unemployment, and send them to another milieu with 20 per cent unemployment." (Father Banville was one of the leaders of Operation Dignity in Quebec, which will be explained in Chapter 3.)

In 1975, I was invited to speak at a Habitat Conference in Moncton, held in preparation for a United Nations Conference on Human Settlements in Vancouver. My topic was: "The Viable Community." The word "viable" is too often taken in a strict economic sense, meaning financially profitable. In my talk, I interpreted it to mean supportable, workable, liveable, concepts linked to what people think life is all about. "Habitat" has similar meanings. For many, it simply refers to physical structures; but for me, it conjures up images of wholeness and complete environments, including birds in their natural habitat.

For me, a viable community is fundamentally one where people like to live, one which offers the opportunity for all its citizens to enjoy a full and abundant life. This includes social, cultural and spiritual considerations as well as economic. I was critical of any society which refuses to recognize a reality beyond the purely economic and measurable, a society that says: "If you want a job and enough to eat, you must leave your friends, your culture, your traditions, and come to Toronto, Edmonton, Halifax or St. John's. If you want to stay with your people, then suffer the consequences; don't expect government aid."

My perspective was directly opposed to that of another main speaker, a professional economist, who spoke of national urban pattern objectives in which the increased growth of a city like Montreal would be a key to the overall development of a region. He criticized DREE policies (Department of Regional Economic Expansion) which tended to limit Montreal's growth, presumably by diverting some government funds to peripheral regions in Quebec. The key points in this proposed urban model were: (1) economic development requires structural change. The size of the workforce in agriculture and fishing must be reduced, and employment in manufacturing increased; (2) to maintain growth in per-capita income, the economy of a region must shift from natural-resource-based development to human-resource-based development.

The speaker suggested that the only way to raise per-capita income in the Atlantic provinces was to increase the rate of urbanization. A target would be to have 90 per cent of the population of the Atlantic area in urban centres by 1990. "Moncton, for example, would probably draw its traditional population from the rural French-speaking regions of the province, as well as attracting highly skilled francophones to a growing centre of French culture. Thus, New Brunswick would have a highly urbanized society tied into the city-size structure of the region (Halifax-Dartmouth would have 500,000 and be linked to Boston). The highly urbanized workforce would be engaged for the most part in high technology which would generate the incomes

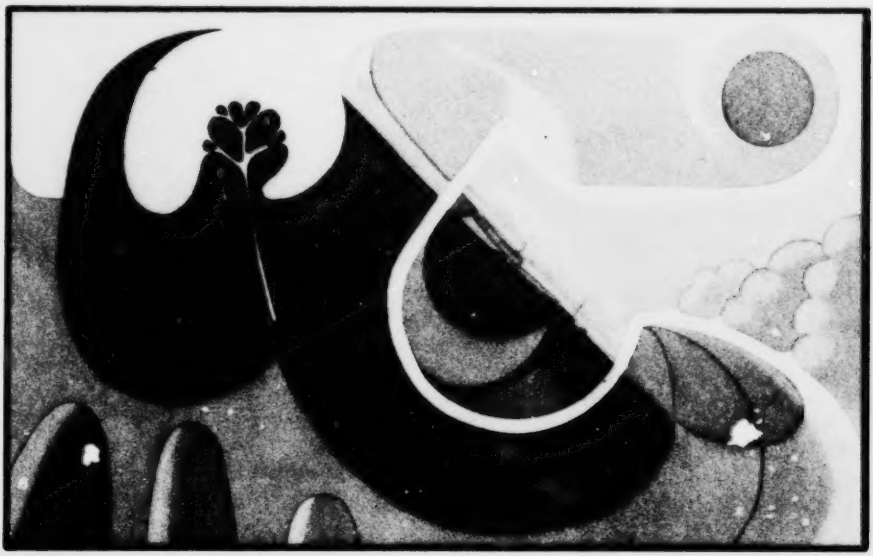
necessary to overcome the existing regional disparities in personal income and public services." (Report of the Moncton Symposium sponsored by the Canadian Secretariat for Habitat: United Nations Conference on Human Settlement, Vancouver, 1976. p.5.) I had been to Bathurst, one of the heartlands of New Brunswick Acadian culture. These people definitely did not want to move to Moncton, and I wondered if the speaker had ever talked to the persons whose lives he wanted to improve with his theories.

I also questioned the desirability of people in the rural Atlantic provinces having the same per-capita income as those of Toronto or Montreal. Like the Latin American peasant, I tend to ask, "Why?". Planners sometimes assume that such questions are beyond debate. In Moncton, I made the point that a family in a small fishing village could live comfortably on $10,000 per year. If you transported that family to Halifax, and doubled their income to $20,000, they could be poor.

In smaller places, there is often a much stronger informal economy. People are more likely to own their homes, either inherited or built by themselves. A DREE study of families in some Newfoundland outports revealed families with recorded incomes of $6,000, well below the poverty line. However, further analysis in terms of dollar equivalents revealed that they were not poor. Household income could climb to $17,000 when the value of freely acquired goods, such as fish, were counted. Moreover, these people are more likely to do their own repairs, and to have a garden.

Many people who were encouraged to move from a small village, with its mixed subsistence type life to a city job in a factory are or will be in a quandary now that secondary manufacturing is being rapidly taken over by electronic automation. Being broke in a big city is a far cry from being broke at home when "home" is a small, self-supporting community.

THE CHANGING ECONOMIC CONTEXT



Continuing inflation and persistent unemployment have driven home the point radical political thinkers have unsuccessfully been trying to communicate for generations. Our traditional economics does not work. The most respected government and corporate leaders acknowledge that something has gone wrong.

Those of us who look with optimism at historic changes are encouraged to note that oftentimes positive developments follow periods of difficulty. The bankruptcy of some of our traditional institutions encourages, even forces, local communities to develop new responses to problems. In Canada and many other countries a growing number of new organizations are emerging dedicated to economic development in their own communities. Some are cooperatives; others are not-for-profit community development corporations.

Fortunately we have moved beyond the stage of assuming that a person opposed to traditional capitalism automatically favours communism, or vice versa. On the eve of the 21st century a growing number of thoughtful people are tired of debating 19th century theories on the most efficient method of production. New Age thinkers, such as Schumacher in Britain, and Mark Satin and Hazel Henderson in the United States, insist that neither Marxism nor Liberalism is adequate — that the basic values underlying both systems do not promote human development. In both the U.S.S.R. and the United States, the dominant production systems inhibit and obstruct basic

human growth. The symptoms are many, including high rates of alcoholism and suicide in both countries. Neither system offers, in practice, a satisfactory answer to human aspirations.

Since the beginning of the 1980s, in particular, a tremendous sense of scepticism seems to be developing about our established institutions. On the positive side, a growing number of people are becoming involved in various forms of alternative movements. The loss of faith in traditional approaches is stimulating a new wave of creativity.

Twenty years ago the typical response of a local community facing severe economic problems was to appeal to a distant central government, or to court the favour of a large international corporation. These large institutional forces, beyond the comprehension and control of most ordinary citizens, assumed an aura of almost divine omnipotence. "They" would come in and solve our problems.

Such institutions have not proven to be as reliable as we once thought. They too are victims of the same scepticism we have today towards adherents to dogmatic truths. Fifty years ago, social scientists sought to model their disciplines after physics, the most certain of empirical sciences. Today, however, quantum physics has made it clear that predictability is not as certain as once believed, and objective truth cannot be claimed as in the past. When the primary scientific model is undermined, the "certainty" of economic theory suffers. Yet, uncertainty can have positive outcomes. As Socrates observed, when we admit we know nothing, we are open to the search for new truths. In the present context of uncertainty in established economic theory, we can expect more experimenting.

Most of our economic activity has been managed by government and large corporations. Now there is a growing alternative sector which is not government or profit-oriented free enterprise, and is sometimes referred to as the "third sector." The term is deliberately amorphous. The third sector includes all the other types of activity which fulfill our economic needs, ranging from the informal, non-monetary sphere, where people grow their own food, for example, to not-for-profit cooperatives and community development corporations.

What makes this sector different is its orientation towards personal and community needs and the priority it accords local considerations. New Age thinkers have lost faith in forces that control from a distance. Centralism and bureaucracy tend to destroy local autonomy. In response, more communities are pressing for a decentralized approach. Rather than relying upon outside forces completely, people are trying to take action from their home base. The catch-phrase is: think globally, but act locally.

While conformity is a goal of our highly developed techno-industrial system, popular resistance is growing. A 1985 Ford automobile requires the same kind of mechanical servicing in Montreal as in Karachi. Likewise, governments lay down universal bureaucratic procedures which apply to every community in the nation in exactly the same way; but communities, like people, differ. We have different histories and traditions. Our priorities differ. More and more of us are refusing to change our requirements to conform to some national criteria. Local development is often in conflict with national plans and people are increasingly aware that distant, centralized, bureaucracies do not have a divine right.

To the extent that people and communities act in terms of their own priorities and resources, local structures will differ. Values may be universal, but the institutional arrangements will vary. What is important is that a process of community economic development is initiated.

Community economic development does not necessarily lead to an increase in income or other economic aggregates. As Stewart Perry defines it, it is a process where

"the emphasis is on the tools for producing the economic output, not just the output itself...The community goal is increased self-determination....In fact, many of the economic institutions that are to be built [or modified] will probably have only indirect effects [or perhaps only very long-term or attenuated effects] on the incomes of most of the residents; yet these institutions may be a part of the complex of new organizational tools, absolutely essential to the short-term as well as the long-term fate of the locality."[1] In short, community economic development is a locally-controlled "comprehensive multi-purpose strategy for community survival and enhancement... (of) the whole range of community resources — human, physical, organizational, and so forth."[2]

It is one thing to be aware of the faults of traditional economic systems, of how, for example, persons and local communities have become alienated; it is quite another to suggest that a new age with a new kind of economics has come about. The only thing we can do is look for signs of improvement in the concrete experiences of people. In fact, a number of examples exist which provide a basis for optimism in searching for new directions.

Throughout the West a number of alternative communities, such as Findhorn in Scotland, and Seven Oaks and Sirius in the United States, operate on the basis of New Age economic values. However, these groups have established themselves outside of regular communities, in the fashion of the old monasteries. They are examples of a new and more humane way of carrying out economic activities. While there is much to be learned from their experiences, I am more interested in exploring economic experiments which are integrated in mainstream society.

Community development corporations, for example, are part of the New Age economics. They form part of the movement which does not accept traditional economic values. Business schools usually teach that it is the profit motive which prompts competent persons to engage in business ventures. New Age thinking views individual profit as an inferior motivator. It considers the survival and happiness of a community to be more important. Profit is seen as a convenient measure of economic success, but remains a means for achieving a more important goal, not the goal itself.

New Age economics does not accept the traditional fragmentation of human life or reality into economic, social and cultural dimensions. Reality is holistic; divisions are abstract analytical tools not to be mistaken for reality itself. The task then, is to organize our resources in an efficient manner to achieve social, cultural and economic growth. It may be more important for a village to establish a home for the retarded than to have a small factory producing plastic bottles.

Once the effectiveness of traditional economic approaches is seen as inadequate in meeting community objectives, it is much easier to develop alternative approaches. There is no need to apologize to "orthodox" economists for placing social and personal concerns at the centre of our plans.

The following pages present three experiments in alternative economics. They differ widely, yet common threads run through them. After examining these cases, New Dawn, J.A.L. and Mondragon, we will elucidate the elements of the new corporate model emerging from experiences such as these. This new model incorporates elements of both a modern corporation and a cooperative; it has public purpose, and yet is part of the private sector; it is humanistic, but also efficient; it is rooted in past traditions, but is adapted to the stimulating challenge of the 21st

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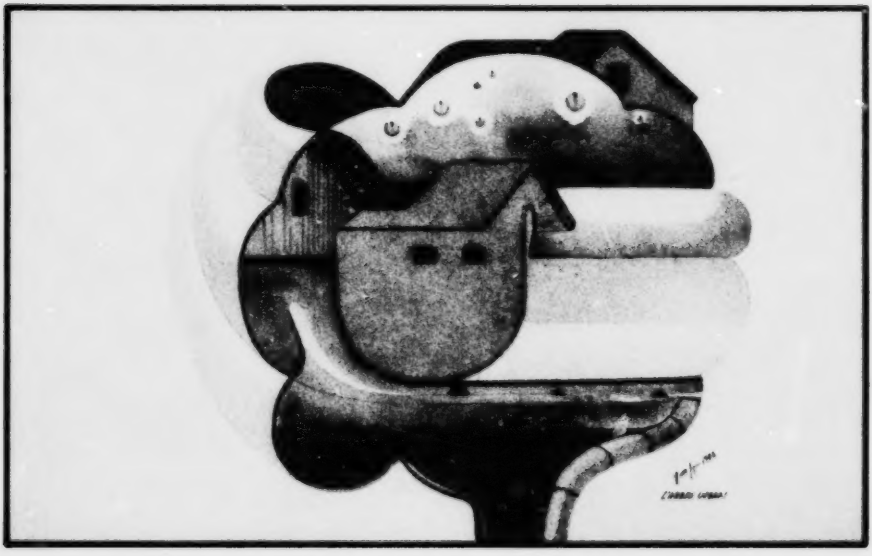
[1] "Community Economic Development: An Introduction to an American Strategy", Memorandum No. 4, Institute for New Enterprise Development, Boston, 1980, p. 9.

[2] Ibid, p. 10.

century. This new and evolving structure is the community development corporation. My hope is that the following examples and related reflections will inspire more people to experiment in developing new economic structures appropriate to their local community.

NEW DAWN: BUSINESS FOR PEOPLE



To understand any experiment in community economic development, we must know something of the history of the local area involved. New Dawn is a product of Cape Breton, and cannot be understood in isolation from it. In analyzing the social-historical contexts of the three experimental projects which follow, patterns will emerge which are common to many communities in spite of specific differences. Hence, the background will be described in each case before going on to outline the nuts and bolts of each experiment.

BACKGROUND

Cape Breton may well be a harbinger of what awaits many other parts of our country. One must recall that in 1900 Cape Breton was one of the main industrial boom centres of Canada. That year, the Canadian Trade Review devoted its April 13th issue to Cape Breton, referring to it as the "Pittsburgh of Canada." Seventy years later, Cape Breton was considered to be an exceptionally problematic area with notoriously high unemployment. (In March of 1985 the unemployment rate for Cape Breton was 26%. The rate for Newfoundland was 21%.) Now other parts of Canada are catching up. The nickel industry in Sudbury, for example, may in the '80s go through what the coal industry went through in the '50s and '60s in Cape Breton. If there are similarities in the problems, there may well be parallel solutions.

Cape Breton Island: People and History

Lobster-shaped Cape Breton forms the northern part of Nova Scotia. It is 100 miles long and 50 miles wide. Its population of 175,000, proud of Cape Breton's scenic beauty, would agree with the eminent — and objective — scientist Alexander Graham Bell who said, "I have travelled around the globe. I have seen the Canadian and American Rockies, the Andes and the Alps and the Highlands of Scotland; but for simple beauty, Cape Breton outrivals them all."

Of the total population, 130,000 are concentrated in the various municipalities around Sydney harbour. Highland Scots make up over 70 per cent of the population. The Acadian French and the MicMac Indians still retain their languages in their own villages. A number of older people still speak Gaelic, but it is rarely heard among the younger generations. The Celtic tradition remains strongest in music. In rural areas, fisheries and forestry provide the main employment, while coal-mining and steel production are predominant in the industrial area.

Cape Breton Island had long been out of step with mainstream Canada. When the Treaty of Utrecht was signed in 1713, Cape Breton was ceded to the French, while the English got mainland Nova Scotia. The result was an imperial French fortress in Louisbourg and an imperial English fortress in Halifax, within 250 miles of each other. The English took Louisbourg in 1758 for the second and final time. This large and important town was blown up, dismantled stone by stone, and the salvageable items carted to Halifax. The intent was to prevent any possible redevelopment of a fortress to compete with Halifax. This was the style of eighteenth century conquest; one imperial force battled another, and no one was particularly concerned with the fates of the Indians, the defeated French, or the defeated Scottish Highlanders who came to Cape Breton after the failed Culloden uprising in 1745, and the subsequent "clearances".

In 1785, Cape Breton, New Brunswick and Nova Scotia were declared separate colonies of Britain. In 1820, following Cape Bretoners' attempt to exercise local control, the island was annexed to Nova Scotia. Ever since, the main political and economic control has been in Halifax, the capital of Nova Scotia.

This brief historical background helps to explain the clear and cohesive "underdog" attitude which persists to this day in Cape Breton. From colonial times, Cape Breton has been considered no more than a cheap source of raw materials and labour. Until the latter part of the 19th century, fish and coal were the main resources. The middle class being largely absent, the bulk of the population was working class. Church, government, university and financial institutions all established themselves at a distance, on the mainland. Throughout Cape Breton history, absentee control has been pervasive and deeply resented. The tremendous influx of heavy industry in 1893 was initiated totally from outside.

Until the Second World War, Cape Breton was one of the leading areas for labour union organization in Canada. From 1885 to 1925 the Canadian army was sent to Cape Breton once every decade to put down a strike. Conditions in the mines were unbelievably primitive. England's child-labour laws were not enforced in Cape Breton until quite late. Children had to work underground to feed younger brothers and sisters. Even in 1984 there remained retired miners who had begun work between the ages of nine and fifteen. Before the Second World War, the story was one of starvation wages, oppression and outside control.

Self Help in the Thirties — The Co-ops

At the turn of the century the Rochdale co-op experience was imported from Britain. The British Canadian Cooperative was established and became a multi-million dollar operation in the mining towns. This segment of the movement

concentrated strictly on narrowly defined economic matters and avoided broader issues. In the 1920s, Dr. Moses Coady and Father Jimmy Tompkins sparked a new co-op movement. Through kitchen meetings and mass rallies, consumer, fishing and housing co-ops, as well as credit unions, were set up as a means of educating people to control their own destinies. Coupled with the tradition of labour union activism, this movement contributed a great deal to the popular sense of self-reliance, particularly in the period between the great wars. However, by the 1960s this movement, like the British-Canadian Co-op, had lost its vigour. The British-Canadian declared bankruptcy in 1982. Hopefully, present attempts to revive the cooperative movement will benefit from past experiences.

Several "explanations" have been proposed as to why this movement never achieved the level of success suggested by the great beginnings of the twenties and thirties. No comprehensive study has been carried out. Nevertheless, one historical change does seem to be particularly significant, a shift in emphasis from popular education to technical skills. After the Second World War, leaders began to place much more importance on recruiting staff with technical qualifications.

Instead of looking to ideologues, organizers looked to economists and social scientists. The notion of workers' study clubs and educational committees disappeared from the scene. Leaders interpreted acceptance by social scientists as a sign of legitimacy and maturity. The critical reflection and debate that had characterized the early period were thought unnecessary. Philosophy was replaced by technical expertise. This proved to be a serious mistake, since both are essential to successful economic activity. Without an underlying philosophy or vision, scientific or business skills become fossilized. The result has been that the traditional structures and techniques of the cooperative movement are viewed as sacrosanct — even though the movement is not particularly successful from a business point of view in the Atlantic area (with the possible exception of the credit unions).

Education is still touted as an objective, but it has undergone a subtle shift in meaning. Instead of referring to the development of personal autonomy and critical awareness, for many directors the term usually means public relations. Cooperative education committees are usually involved in advertising and the publication of bulletins and newsletters. The main thrust is to stimulate business, without a high concern for education or social reform. The irony is that when the co-op movement shifted its orientation, it became neither fish nor fowl. It ceased to be a strong movement for social reform, but neither did it become a significant business organization.

Simple statistics indicate that the cooperative system has not made a significant impact upon the economy of the Atlantic area. The early victories were in fisheries, but today the cooperative fisheries control less than 10 per cent of the fish marketed in the Atlantic area. The Atlantic co-ops have not been a great success commercially. Indeed, many of the techniques and business theories which they adopted have long been outdated. Many people still support the co-op system out of loyalty to past ideals, but are frustrated in that they find themselves supporting a second-rate business with no soul or vision. Obviously, the answer is to re-introduce a social philosophy alongside appropriate business techniques. The challenge in any community economic development project is to achieve the delicate balance between philosophical principles and modern technical know-how.

Although co-ops have not lived up to their promise, and even though most have abandoned their educational programs, the movement has had a significant public impact. The vision and activities of the twenties and thirties have permeated the history of the Cape Breton area. Old leaders are folk heros, and because of their pioneering efforts many of their descendants still believe ordinary citizens can take over businesses

for their own good and that of their community. This is a historical asset for Cape Breton.

Over the last twenty years cooperative organizations have missed many great opportunities by failing to demonstrate a cooperative spirit. There have been numerous examples, large and small, where they have not cooperated among themselves. In small towns, for instance, it is not unusual for a co-op store and a credit union to each build their own quarters. By sharing the same building, both could save money and help each other. Moreover, in some instances, a co-op store may elect to do business with a chartered bank rather than the credit union. Co-op fish plants usually limit membership, that is ownership, to fishermen, and refuse to allow the fish plant employees to join. The workers usually end up forming their own local union, thus assuming an adversarial role vis-à-vis the owners. This is in marked contrast to the Mondragon approach (see Chapter 4) which stresses solidarity among co-ops.

Although many anomalies have developed in the co-op movement, it still retains great potential. If the original thrust can be restored, the co-op movement of Canada could lead the way in bringing about a more just social order. The credit unions of Canada, including the Caisses-Populaire of Quebec, have over $20 billion in assets. If sterile dogmatism can be overcome and if the right combination can be found between the drive for social reform and technical competence, then a co-op renaissance could occur in the eighties. Already the various branches of the co-op movement in Canada have set up a special committee to develop guidelines for future developments. The potential and the power is there, but it is still not clear if the will and the understanding of what is required exists.

Centralization and Post-War Depletion

After the Second World War, the problem of unemployment intensified. A very high percentage of Cape Breton men went overseas. These veterans returned to a situation where miners were being laid off and no new jobs were being created. With the advent of peace, cheap oil could be easily imported from the Middle East. Coal and coal-miners were no longer required, a situation which led to a chronic state of unemployment during the post-war period although the effects were cushioned somewhat by the advent of new social programs such as family allowances and old age pensions.

The general strategy implemented by government specialists and university economists, was to close the mines and "allow" workers to follow labour market demand. The main beneficiaries of surplus Cape Breton labour were Ontario and Alberta. Government agencies developed mobility programs aimed at moving workers to areas of labour demand, while the Cape Breton economy was allowed to deteriorate. Most young people were forced to migrate since jobs were not available. All the same, the population proved to be recalcitrant. Given the virtual absence of immigration since the First World War, and the shared labour union and the war experiences, the population tended tc stick together. In spite of the attractions of upper Canada and the West, most people wanted to stay where they were.

Each announcement concerning mine closures was met with local resistance. Delegations were formed, led by the United Mine Workers, to exert pressure on government decision-makers. The fact that some mines were still operating in the mid-sixties can be directly credited to the tenacity and determination of the local populace.

As the effects of government policy favouring centralization intensified, more jobs were lost in places like Cape Breton. Popular dissatisfaction increased. One community delegation after another protested shutdowns. For example, people in Sydney simply could not accept that the ice control office should be moved to Halifax,

which is 200 miles south of the ice-fields. The ordinary person found it strange that when navigation buoys around the Cape Breton coast were in need of paint, they had to be transported to Halifax. Investment in government institutions, universities, hospitals, housing, banks, and so on soared in Halifax, the intent being to transform it into a metropolis like Montreal, Toronto or Boston. Monies spent in support of theatres and museums in Halifax was defended on economic grounds, in that the culture-conscious wives of corporate executives would like the city! Imagine how a coal-miner turned down in his request for compensation for black lung disease acquired over 40 years in the coal mines might feel about this.

This imbalance is sometimes referred to as a centre/periphery or metropolis/hinterland conflict. Rich and powerful central cities dominate and exploit the material and human resources of the outlying areas. In this perspective, Madrid is a centre and the Basque area is a periphery. In Canada, the golden belt from Montreal to Windsor constitutes the centre while the rest of Canada is the periphery. On a smaller scale, Halifax is a centre, Cape Breton a part of the periphery. In Chapter 3 we will see that the same relationship exists between Montreal and Eastern Quebec. As can be expected, peripheral areas build up resentment against the powerful centres. This can become a positive rather than a negative factor in community organization. Without Franco in Spain, it is unlikely that Mondragon would have developed.

Another effect of centralization is that the inhabitants of hinterland communities feel neglected. Unemployment is much higher in these areas, services are poorer, and out-migration is actively encouraged. Local leaders feel that the affluent centres are bleeding them. Development is difficult because the most aggressive and talented persons are usually skimmed off to work in the cities. Political and economic factors favour these larger centres; the survival of hinterland communities is threatened unless changes are made. The latter include most of the Atlantic area outside of the provincial capitals, the northern parts of all of the Canadian provinces and the Indian and Inuit communities in particular. Perhaps we could even consider the urban cores of our large cities, such as Toronto and Montreal, as forming part of the hinterland. Halifax is clearly the most prosperous centre in the Atlantic area, yet the north end of Halifax contains chronic pockets of unemployment and despair.

The centralist approach makes it almost impossible for government or business to respond in terms of local needs. There are tremendous anomalies in sectors such as housing, where one set of housing regulations is applied throughout a very diverse country. The advantage invariably lies with the large centres.

For example, in Toronto, a small serviced lot may cost $25,000, and the construction of the house $20,000, for a total housing cost of $45,000. In New Waterford, Cape Breton, the lot may cost $4,000, and the construction $25,000, for a total of $29,000. Government housing authorities conclude that housing is more expensive in New Waterford than in Toronto, and have in the past refused to approve housing projects because costs were above the national average. Local people made the obvious point that the total cost to the government for the house in Toronto was higher. The government response was that for the purposes of regulations, the cost of land and the cost of construction are considered separately. Thereby, the advantage of cheap land is lost. If conditions differ according to the community, obviously allowances should be made in various regulations for local peculiarities. The response must be in terms of local problems.

Resisting the Trend

In 1966 the federal government responded to Cape Breton's difficulties by establishing the Cape Breton Development Corporation. The objective was to phase

out the remaining coal mines only as replacement jobs could be created in other sectors, thus preventing the complete breakdown of the local infrastructure. Local leaders welcomed the new crown corporation enthusiastically. It was seen as a way of slowing down the closing of coal mines and getting new industries. The following year the Cape Breton community received staggering news. The multi-national Hawker-Siddley Corporation decided that its Cape Breton steel plant was unprofitable, and would be shut down. The reaction was formidable. Over 20,000 people or 11 per cent of the total population of Cape Breton turned out for a March of Concern. The provincial government responded by taking over the steel plant.

Other efforts for development in Cape Breton continued to be threatened or thwarted by government centralization. In three important cases, however, local pressure forced a change in government plans: the Adult Vocational Training Centre (AVTC); the Canadian Coast Guard College, and; the University College of Cape Breton.

In the first case, beginning with rumours, then through leaked reports, it was learned that the Cape Breton Adult Vocational Training Centre would be closed down in favour of a single institution in Halifax. An immediate effect would have been the loss of employment of local staff and purchase of local supplies. Even more significant, the Trade School was an important source of support for many of the area's unemployed because they received a living allowance while learning a new trade. The "official" justification was that since any new jobs would be created in Halifax, training should take place there. The campaign to save this local institution was led by the Metro Alliance for Development. MAD, as it was designated, was an advocacy organization made up of representatives from a wide variety of local groups, including business, veterans, unions and churches. Over a number of years meetings were held with government officials. MAD researched and exposed all aspects of the problem, mass rallies were held, and eventually the provincial government agreed to build a new AVTC in Cape Breton.

The second grave threat came in 1973 with the announcement that the federal government intended to build a new, unified Transportation University in Cornwall, Ontario. This implied moving the Coast Guard College from Cape Breton to Ontario, with the loss of approximately 100 jobs. A community campaign, similar to the above, persuaded the federal government to house the College on a new campus in Cape Breton, while the land and air transportation components would go to Cornwall. Local leaders stressed the obvious point that training in seamanship is best done by the sea.

The third case concerned post-secondary education. Over the years, community leaders had periodically pushed for university education in Cape Breton. Nova Scotia had nine-degree granting institutions. Halifax had six; Cape Breton, which represents a fifth of the provincial population, had none. Although St. Francis Xavier University established a Junior College in Cape Breton in 1951, its operation was strictly limited, with no local budget control. After a number of years, it became apparent that the Junior College would not survive in its existing form. A movement then developed to have degree level programs in Cape Breton. Over a period of seven or eight years, numerous delegations, public meetings and negotiations with provincial officials induced the premier of Nova Scotia to set up a committee to assess the possibility of establishing a post-secondary institution in Cape Breton. Senator Henry Hicks, President of Dalhousie University, publicly opposed such a move, claiming that the mainland institutions were adequate for all Nova Scotian needs. Leaders in Cape Breton were not deterred by attitudes such as these, and in 1974 the College of Cape Breton, later called the University College of Cape Breton, was established.

By the mid-seventies, changes began to occur among the various movements for

social and economic reform. In Cape Breton, and all across the country, people were concluding that their efforts were basically futile. Many of the old organizations faded away. Advocacy groups lost their appeal as government appeared to be immune to their efforts. Dependence upon distant government had become as alienating as dependence upon distant corporations. The new search now is for alternative structures which involve a clearly local and autonomous structure.

In a sense, the disillusionment with big government has prompted community developers to return to the old cooperative do-it-yourself tradition. The lessons of the co-op movement, combined with the frustration of pursuing government grants, reinforced the growing awareness that social development cannot take place without economic development. Up until this time, persons involved in social and cultural movements were not sufficiently aware of economic realities. On the other hand, those holding the reins of economic power were not sensitive to the social and cultural needs of people.

The new challenge will be to find holistic structures which accommodate the myriad dimensions of human reality: economic, social, cultural and spiritual. The holistic approach is sensitive to the welfare of the producer as well as the impact of the product on the social and physical environment. All across Canada new initiatives have begun to spring up in a new wave of experimentation. The survival rate is not high, but that is to be expected. This approach is still experimental but very much alive. Since it is holistic, its expression will vary according to the location. New Dawn is one of the Cape Breton expressions of this movement.

NEW DAWN: BUSINESS FOR PEOPLE

In view of the particular history of Cape Breton, and partly as a result of the growing consensus across the country that the new economic approaches had to be found, interest increased in an economic-based project for the Cape Breton area. In 1973 I was part of a small group which included a cross-section of people such as a business executive, a student, a social worker, a teacher, a steelworker and a housewife. We formed the Cape Breton Association for Co-op Development. This association evolved out of our frustration with the government's failure to attract industry to the area. In spite of community agitation and organization, the economic situation was not improving. Our main intention was to set up businesses on our own. Many possible business projects were discussed, but most were high on idealism and low on practicality. From the beginning, the necessity of business experience was apparent. Several businessmen were then recruited so that the incorporating group consisted of about a dozen people.

The First Venture

Action started in 1973 when a local handicraft organization appealed for help. It operated out of several rented rooms in Sydney and desperately needed more adequate premises. The Cape Breton Association for Co-op Development was keenly interested because the craft activity was culturally valuable and appeared to have job-creating potential. It happened that an old downtown store was for sale, so a proposal was made to purchase it for the purpose of the handicraft school. With this initial project, we learned that very useful community improvements could be achieved through quite simple methods.

Although we had no money at all, we used business methods and achieved immediate results. The building was worth $60,000. By obtaining a $20,000 bank loan

using personal guarantees from board members, we were able to raise the other $40,000 through a mortgage with the Credit Union League. With a promise to improve the building, we kept the mortgage loan open-ended, so that more money could be obtained as the value of the building increased. Using various federal "make-work" grants, we renovated and improved the building, repairing the first floor as commercial space, and building eight bachelor apartments on the second floor. Another $20,000 was added to the mortgage, and the bank loan was paid off.

Besides gaining valuable business experience, we achieved several worthy objectives. We improved the physical appearance of a section of the city that had been deteriorating. We provided work for the unemployed, and we made possible a thriving craft project.

Very soon, we bought other properties on borrowed money, made improvements, and provided much-needed housing for the community. To handle the day-to-day administration, we hired part-time staff, an approach made possible by the high level of voluntary committee involvement. Where possible, government "make-work" programs were tapped to make the projects viable. From the first, however, it was decided that only those projects which could survive in the long term, without government help, would be undertaken.

As the project continued in a rather disorganized but enthusiastic manner, the need for a more structured approach became apparent. After meetings with representatives of community development corporations in the U.S.A., and discussions with interested parties in the federal Department of Health and Welfare, the group devised a pilot project called New Dawn. Since the Cape Breton Association owned over $200,000 worth of property, we decided to concentrate on housing and general construction. Thus it was that New dawn became incorporated in June 1976.

Developing Structures

New Dawn is a not-for-profit corporation which not only operates businesses but also carries on social and cultural activities which contribute to the development of the local community. Although New Dawn evolved independently of the American experience, the American term "community development corporation" appears to fit well with the intentions of the organizers.

Based on the experiences of the 50s and 60s, it was apparent that "goodwill" alone would not ensure the successful establishment of new businesses. A number of unsuccessful business projects have been launched by dedicated people with more goodwill than business expertise, and usually with a view to helping a special underprivileged group rather than the community at large. From the start then, key persons in the New Dawn organization made a conscious effort to recruit people who combined both technical competence and social conscience.

New Dawn has in fact been extremely fortunate in maintaining a well-balanced board. There have been lawyers, engineers, business executives, tradespeople, housewives and pensioners among those involved.

The basic appeal in recruitment has been the good of the community. Organizers pointed out that Cape Breton was a depressed area and getting worse. One successful businessman responded by saying that the community had been good to him and he would like to repay it if he could. New Dawn has also resisted the idea that everyone can do everything. One premise of New Dawn is that we wish to make a significant economic impact. That being so, people with special backgrounds must be recruited to the board and committees. Even though someone might like New Dawn to buy a fishing trawler, it would not even be considered without having a New Dawn member with a strong background in the fishing business. No matter what structure or

procedure one chooses to achieve a purpose, its success or failure will often depend upon the quality of the people involved. Technical ability without moral purpose will not lead anywhere; moral purpose without technical ability is incapable of getting anything done.

Over a three-year period, the services contributed to New Dawn by the board and general members amounted to over $100,000. If a lawyer undertook the legal search for a property, or if an engineer provided the drawings for a structure, the value of the service was added to the value of the building as equity. This contributed equity translates into cash when the building is sold.

Another important contribution has been the support provided by the University College of Cape Breton, particularly the Bras d'Or Institute, an applied research centre. Technicians, tradesmen, engineers, scientists and various other academics have provided a wide range of specialized skills.

The New Dawn board recognized that any economic project it undertook would have a social dimension, in that it would be responding to such problems as lack of jobs or adequate housing. Nevertheless, New Dawn went one step further and established a special division with the specific responsibility of assuring that social goals be achieved. This social division was intended to assume an educational role as well as to initiate specific projects of a social-service nature. To underscore the importance of culture as a fundamental part of the community, a cultural division was also established. The resulting three divisions of New Dawn were: business, social and cultural.

New Dawn was incorporated under the Companies Act of Nova Scotia rather than under the Cooperatives Act, for reasons of legal convenience and greater flexibility in establishing projects. The Cape Breton Association for Co-op Development was maintained as a subsidiary of New Dawn and the craft school as an affiliate. The main administrative functions were to be carried out through an umbrella-like structure providing services and management to a wide variety of projects and enterprises.

The decision to establish various divisions in one organization proved to be a key advantage. The social division was much more effective because it could rely upon the business division for help. Also, the use of business techniques in carrying out social projects made a remarkable difference. For instance, some community groups had been involved in establishing group homes for the mentally retarded or post-mentally ill. The usual approach was to raise enough money for the purchase of a house which in the 1970s cost from $30,000 to $70,000. Raising such an amount can be a formidable task involving ticket sales and other forms of fund raising. However, using a business approach, New Dawn circumvented these problems. Mortgage money was borrowed by the Property Department in the usual fashion. The social division then rented the house from the Property Department for $400 to $1,000 per month. This expenditure became part of their operating cost, and hence part of the approved budget granted for such social projects by the Provincial Department of Social Services.

The One-Million-Dollar Mark

By 1979 New Dawn had become something of a conglomerate, with over $1 million in real estate, including a senior citizens' guest home, a group home for the post-mentally ill, two dental centres, and a senior citizens' resource centre. It had sponsored a number of traditional folk concerts and provided a wide variety of services to the local community. As of January 1979, approximately 30 people were employed in the social division. While a good number of these jobs were temporary, they indicate the level of activity achieved.

By 1981, New Dawn had adopted a clear policy of taking on any kind of project

useful for the community, as long as it was economically viable. There was no particular concern as to whether a project's nature was economic, cultural or social, whether the purpose was to create jobs or to create housing. This approach was pragmatic but very frustrating for government officials who wished to follow well defined departmental mandates. New Dawn did not **plan** to get into dental clinic business but when citizens at a public meeting identified it as a pressing need a New Dawn board committee examined its feasibility, found it viable, and instructed staff to initiate it. When the board cultural committee wanted to publish "Song of the Mira," now sung by Anne Murray, the board provided the required $2,000 once it was determined that revenues would cover the expense.

Of course some projects were turned down by investigating committees, such as the proposal to make building blocks from steel plant slag. Also, it was found that while some ventures could succeed for a period of time, they would eventually have to be closed out.

For example, New Dawn established a subsidiary construction company in 1977. The company engaged in competitive public bidding and made money on some projects while losing on others. One successful bid involved the construction of a building worth over a quarter of a million dollars. In the end, however, it was decided to close out this division. We learned that such companies are better off on their own. On one project for Rural and Native Housing, New Dawn lost almost $40,000 in 1979. This kind of thing happens in construction, especially when government delays force a company into more costly construction in winter rather than summer.

Also, under Central Mortgage and Housing regulations, New Dawn was forced into the unenviable position where it could not make a profit on government subsidized housing, but if it lost money, the government would not cover the loss. Fortunately, in this case, we were able to sell the first building we had purchased at a $50,000 profit stemming from developed equity. Thus, we staved off impending bankruptcy.

Problems of Rapid Growth

New Dawn's first full-time manager was a successful real estate agent. His background was crucial to providing New Dawn a good working base in real estate. Owning property facilitated the generation of many labour-intensive, short-term projects. By 1979, New Dawn had grown substantially. Assets went from $250,000 in 1976 to $1,000,000 in 1979, a four-fold increase. However, problems began to surface and tensions developed over control and direction. Board members felt that new projects were being initiated without adequate review. Also, some board members were frustrated by their inability to understand the financial reports. On the other hand, staff felt that board committee members were dragging their feet. They claimed that board delays and complicated approval procedures were interfering with business projects and causing the loss of money. The eventual decision of the board was to call a halt to all new projects and declare a period of reassessment and consolidation. By this time, staff had changed and the organization spent more than a year simply hanging on and surviving.

Eventually, active board members wanted more than simple survival. If they were going to donate volunteer time to the operation, they wanted to see results. Thus, it was decided to go for broke. A new manager was hired and given a mandate to "make things happen," under board control, of course. At this point, New Dawn had assets of $1,000,000, as well as a $70,000 reserve fund in the form of debentures with League Savings and Mortgage.

Between 1980 and 1983, New Dawn expanded quickly under the new management. Assets grew from $1,000,000 to $3,000,000. Most of the activity was in

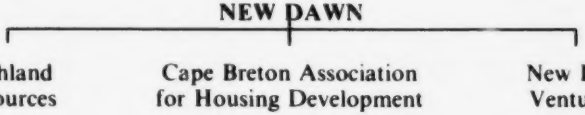
construction under the CMHC non-profit housing program. A subsidiary consulting company was established and it, too, grew at a fast pace with new staff and numerous contracts. A used auto-parts enterprise and a Telidon experiment were started, along with a land-clearing project on New Dawn's 200-acre woodlot. A number of proposals, such as a bookstore, were examined, but turned down. Again, the old problems arose. It became unclear whether board or management were approving new projects. The level of activity had increased at a rapid rate, but approval procedures had not been well defined. Also, it became impossible to get a clear picture of New Dawn's overall financial situation. At this point, all financial records were administered by a part-time bookkeeper. When the board learned that monthly profit and loss statements could not be provided, it became alarmed and once again opted for a period of reassessment and consolidation. The board was especially alarmed when told that the corporation would be bankrupt in three months at the existing level of revenue and expense. Staff was laid off immediately. There would be no new projects until monthly profit-and-loss statements could be produced. A contract was awarded to a local chartered accounting firm to establish the required procedures.

The key lesson learned from this experience was that an increase in size and scope necessitates greater sophistication in board approval procedures and financial control systems, including monthly profit and loss statements. It should also be stressed that the board is legally responsible for everything that goes on in the corporation, regardless of who the staff is. At the time of this writing, New Dawn has once again survived a critical period of reassessment and consolidation. The housing construction program for 1984 amounted to over $2,500,000. By the end of 1985, assets will total almost $10,000,000. There is a variety of new projects under active examination, and optimism prevails.

Structure and Financing

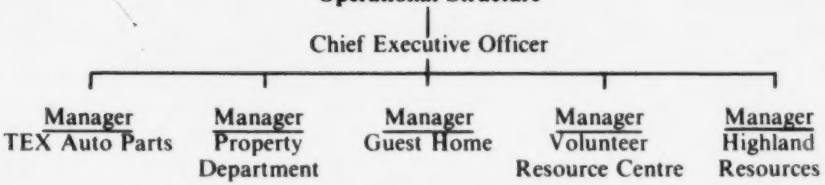
In general, the member organizations of New Dawn can operate both within and without the New Dawn structure. Some associated members are incorporated in their own right, while others are simply committees of New Dawn. Each retains the autonomy it desires. The types of available affiliation are almost endless. New Dawn attempts to provide services which will enhance the effectiveness and efficiency of each of the members.

Legal Structure



Each of the above are corporations except for the Cape Breton Association for Housing Development which is a society under the Societies Act. The same individuals sit on all the boards. All sub-committees such as the Cultural Committee and the Long Range Planning Committee are named by the Board of New Dawn.

Operational Structure



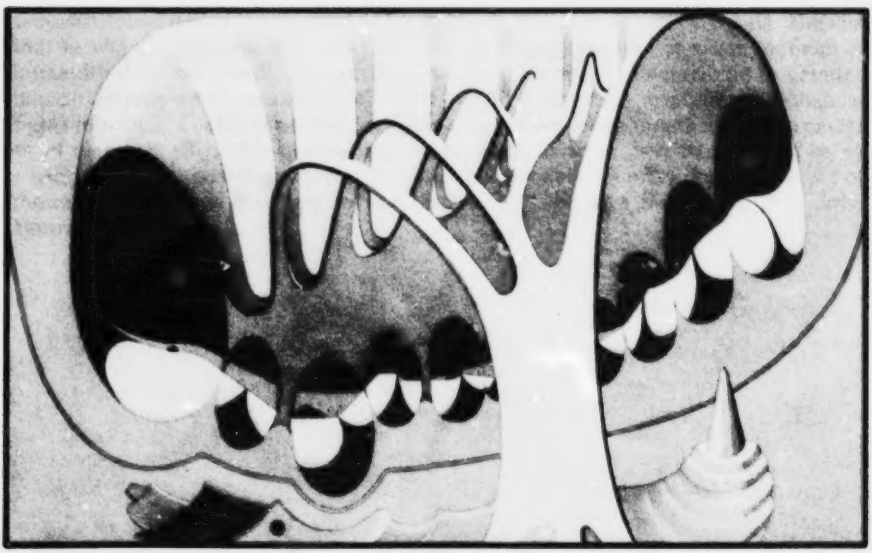
Each department has an advisory committee which is named by the New Dawn Board of Directors. The Chief Executive Officer is advised by the Executive Committee of the Board.

The general approach has been that all business enterprises must be organized so that they will become self-financing. Using the corporate approach to departments and subsidiaries, an effort is made to have all the parts mutually supportive. Since New Dawn is legally constituted so that no money can be drawn out by any member, capital equity will naturally build up. Funds generated must be used for community improvement. The owners are the community as represented through the members. The criteria for membership are a commitment to community improvement plus the ability and willingness to work as a volunteer on committees or projects.

As a community development corporation, New Dawn has not received significant core funding from government. The largest federal subsidy received was a demonstration grant from the Department of National Health and Welfare, from 1976 to 1980, beginning with a $120,000 budget for the first year, and reduced yearly until it ended in 1980 at $20,000. Other than this special grant, conventional programs such as "on-the-job-training" and "Canada Works" were tapped to help sustain the operation. From time to time, the Cape Breton Development Corporation provided limited funds for specific projects.

New Dawn is still young and in its formative stage so it is not yet clear whether it will achieve its goal of reconciling economic and social objectives. It may be that the economic will prevail and New Dawn will become a big business like other big businesses. The balance is delicate. For instance, it is not sufficient to use business profits for community good in the manner of an Andrew Carnegie. He ran a very successful steel mill at the expense of his workers who were clearly exploited. The fact that he channeled his profits into the Carnegie Foundation for the improvement of humanity does not justify the abuse of workers. In order to contribute to genuine human development, business itself must run in a way that respects and enhances rights of people. On the other hand, social concerns cannot dominate to such an extent as to make an efficiently-run business impossible, because then there would be no business. With goodwill and creativity, both are possible. (A more detailed history of the early New Dawn development is found in the "The New Dawn Story" by John Hanratty.)

J.A.L. IN QUEBEC



A general acquaintance with Quebec's history will usually lead the most casual observer to understand why French-speaking Quebec has felt powerless to shape the province's socio-economic destiny according to its needs and values. In 1760, the English forces defeated the French forces outside the city of Quebec. In the 200-odd years following, the main economic activities as well as major business corporations have been owned and managed by English-speaking interests. I remember how bitter a friend of mine became when he returned from post-graduate studies in Europe to work in a major corporation's head office. His colleagues spoke only English and joked about his heavy accent.

BACKGROUND

The recent history of Quebec is more relevant to the development of J.A.L., a community development cooperative east of Rimouski. J.A.L. refers to the constituent villages of St. Juste, Auclair, Lejeune and Lots Renversés. In the late nineteen twenties, Quebec, like the rest of Canada, was plunged into an economic depression. Unprecedented unemployment and the absence of social support systems such as we have today led to colonization programs in various regions, including East Quebec. The government subdivided parcels of land and urged the unemployed and destitute to build a new life in these frontier areas. Over forty years later, government

planners decided the J.A.L. villages should be closed down and the people relocated. A community uprising called "Operation Dignity" ensued. The protest resulted in the formation of a variety of projects to restore the villages' economic base. These community economic projects were organized by the local people themselves, often in opposition to the government's development strategies.

One of these communities was Lejeune, about 60 miles east of Rimouski, close to the New Brunswick border. A booklet published in 1980 to commemorate their church recounts the history of the village. What follows is an attempt to portray the events of the past fifty years as seen through the eyes and hearts of the people of Lejeune who produced the booklet. More systematic studies are available, but we are most interested in the analysis of the local people themselves, since it is their attitudes that have determined their actions.

The booklet begins by dividing the life of Lejeune into four historical stages:

I.	1931-35	— THE ARRIVAL:	"We came here to save our lives."
II.	1936-60	— THE DEVELOPMENT:	"There were people everywhere, on all the lots. We were really a community."
III.	1961-72	— THE DEPORTATION:	"They left here for the city to save their lives."
IV.	1973	— LA PRISE EN MAIN: (Taking Charge)	"We wouldn't let them close down the community — we took charge ourselves."

Resettlement in the Thirties

In 1933, 362 people went into the wilderness and backlands (arrière-pays) of Rimouski. They were desperate people; some were orphans. There was nothing there, so they had to fell trees and build cabins. Some of these pioneers are still living. They comment, "It was miserable, but we were happy." A few managed to acquire some cows and chickens. For meat they depended primarily upon deer which, fortunately, were plentiful. "All our work went into just getting food." Winters were difficult in that part of the country, and there were no roads. They sledded in along a riverbank. In fairness, the government helped. From 1933 to 1934 the Department of Colonization provided the settlement with approximately $12,000. By this time, 545 "souls" were living there. That works out to about $22 per person, and it is not mentioned whether seed money was included in that sum. Yet, they survived in spite of frost damage to their crops.

Development

Early in the second stage of development (1936-60) a small school and chapel were built, the road was extended, and a sawmill was established. A great deal of struggle and effort — political as well as physical — were required to obtain basic amenities. For example, it took a lot of pressure to get twice-a-week mail delivery. People had virtually no money, so almost everything was made at home, even soap. In the late thirties life was very similar to that of colonists hundreds of years previous in other parts of Canada. After crops were harvested, many of the men would go to work in lumber camps in Ontario or further to make some money. The women stayed behind. The old women recount that there was little difference between the work of men and women.

Church leaders in Quebec strongly supported the program of colonization. The diocese of Rimouski even contributed money. The traditional Quebec motto was "foi-famille-patrie" (faith, family and ancestral home). The involvement of the church is significant because church leaders would again take a leading role in the protest movements of the 1970s. In the 1930s they were saying, "On land where there are no people, let us put people who have no land." The move to the backlands of East Quebec was therefore of more than economic relevance to those involved. It had profound implications of a psychological, social, cultural and religious nature.

Depopulation

Between 1961 and 1971, 1,044 people left Lejeune and its two neighbouring villages. Government officials, with the stroke of a pen, had decided these villages were not viable. "BAEQ" (see Glossary), a government agency, was set up by the provincial and federal governments to develop a "rational" economic development plan for East Quebec. It produced a ten-volume report which recommended a growth centre approach involving the closure of non-viable villages and resettlement in more "dynamic" towns. If you agreed, the government would pay you $10 to $15 per acre, providing buildings on the land were destroyed or moved. Officials figured that some of the relocated persons might try to sneak back.

Lejeune is only one case. In the first wave, ten villages were closed out. To be fair to officials, no one was forced to leave. However, as the villagers relate it in their booklet, "They would not give us unemployment insurance because we had cows. The guys soon figured out that it paid more to sell the cows and collect unemployment benefits. Same thing for agricultural loans, because the people at the agricultural credit would say. 'It will eventually be closed down. We can't lend you money to improve your farm'." Thus a self-fulfilling cycle was set in motion.

Eventually, opposition surfaced. On September 19, 1970, fifty representatives from ten villages met and launched what they called **Operation Dignity**. The motivating factor, was that their basic human dignity was not being respected. The group chose a pastor, Father Charles Banville, to be president, despite his objections. Because of Quebec's history of clericalism, priests in general were reluctant to assume leadership roles. People insisted, however. The inhabitants certainly identified more with their clergy than with government officials or "specialists." After all, the clergy had lived through their history with them.

Although it is one of several viewpoints, Jean Jacques Simard, a sociologist at the University of Quebec, provides a fascinating analysis of the church's role that accords with my understanding of J.A.L.'s development. He suggests there was a battle for the minds and allegiance of the people. On one side were the clergy, emphasizing certain traditional values such as home and hearth, which some progressive Quebec reformers feel kept Quebec underdeveloped. On the other side were what Simard calls the "noocrats", the scientific specialists armed with their many studies and reports who worked for government. Their scientific weapons made them more than bureaucrats since noocrats felt they had *the* plan to improve the lives of their "backward" charges. They could provide them with better hygiene, better education and so on. Noocrats viewed the clergy as holding back "progress" with their traditional values. In fact, it seems these planners tried to circumvent the local clergy by supporting and providing legitimacy to "social animators." "These saw participation as an end in itself, a permanent mode of political mobilization of diverse concrete collectivities in the territory, each assuming a maximum margin of self-determination. For the directors (BAEQ), it was rather a matter of establishing a channel between the planners and the plannees, a feedback mechanism (consultation and information) tying the clientele to

the apparatus; they wanted to neutralize political power with a technical rationalization whose legitimacy would be imposed above, on the elected politicians, and below, on the political groups formed by the citizens." (Alain Gagnon, *Les Opérations Dignité*, p. 131.) As Simard points out, this amounts to participation in a pre-determined technical plan. It does not represent political participation in deciding whether or not the proposed end product is worthwhile. Simard claims that the planners viewed the basic goals as being beyond question by either politicians or citizens. They were "scientifically" determined.

On the 22nd of September, 1970, after a series of meetings, a mass rally was held in St. Paul, a village of a few hundred. Three thousand people turned up! Operation Dignity #2 was organized in the summer of 1971, at Esprit Saint. Operation Dignity #3 took place at Les Mechens and North Shore, Gaspé. Again, clergymen such as Jean Marc Gendron and Gilles Roy played key leadership roles. Local people paraded in the streets and gained national publicity. Political figures reacted defensively. One quote really struck me because the words were similar to those of government officials with respect to Cape Breton. At that time, officials stated that the population of mainland Nova Scotia was up in arms because the provincial government was subsidizing the steel industry. They added that people in Toronto were outraged because the federal government was subsidizing our coal mines — as if working in the coal mines amounted to receiving a free Florida vacation. In Quebec, an official offered the following: "I am well placed to be able to tell you that the other regions of Quebec constantly look with envy at the development budgets for Bas St. Laurent, La Gaspésie et les Isles-de-la-Madeleine." (A. Gagnon, op. cit., p. 171.)

However, proud local people did not "cease to complain." The clergy issued manifestos in support of their people. They demanded more efficacious economic and social policies. They demanded more support for agriculture, forestry and fishing. They proposed a forest management program similar to the Scandinavian practice. They called for an exhaustive inventory of forest resources and the employment of teams of people to carry it out.

In retrospect, therefore, it appears that two powerful forces were on a collision course: the noocrats with a well intentioned plan for improvement, and the "traditional" forces with another plan. As Gilles Roy put it, "The people developed a vision of the society that they wished to build, and this, I repeat, without reference to any 'isms' whatever they might be. It is by their everyday life, their good common sense, the identification of their fundamental aspirations which, little by little, enabled them to develop an approach to regional development."

Resistance

In the parish booklet, Lejeune's fourth stage is entitled "La Prise en Main" (taking charge). Here local people decided they were not going to move. As a follow-up to Operation Dignity, Father Rodier Voisine called meetings of the people of St. Juste, Auclair, and Lejeune. He spoke of Christian social commitment to the well-being of the community, with the first objective being community survival. The theme of these villages' 1972 Lenten program was social commitment. From these meetings, an intermunicipal committee of 15 persons was formed. It was decided that these small municipalities had to work together: "In effect, the only way to save our life at the moment was to join in common our efforts, our imaginations, our resources, our wills, our courage, beyond the boundaries of each village. It was necessary to regroup all our forces to oppose those that would dismantle us." They formed J.A.L. In October, Gilles Roy left the CRD (Regional Development Commission), to join the group. André Morin, Chairman of the committee, gave Gilles the mandate to sensitize local people to their problems and to find out how many were prepared to take action.

DÉFAIRE LA DÉFAITE

Early in 1973, Gilles Roy organized a month-long training program for 240 people. They met three hours a day, five days a week. This resulted in the formation of a team of ten animators authorized by the school board to elaborate the wishes of the local community. Specialized sub-committees were set up: forestry, youth, agriculture, manufacturing, and tourism. Eventually, highway, telephone, housing and welfare committees were also formed to campaign for improvements.

Forestry became the big project over the first year. The forestry committee succeeded in getting hundreds of small farm owners to put their woodlots under common management. Individuals relinquished control of their woodlots but maintained ownership. By putting several hundred lots in common, they had a sizeable block of forest land which could benefit from modern management and development principles. Thereafter, the owners were employed by the company to cut on their own or a neighbour's land.

As rural dwellers know, you can qualify for unemployment insurance if you work for someone else, but not if you are self-employed. This made the project all the more attractive. However, government officials felt compelled to disqualify the woodlot owners. Their UI benefits were cut off! Although UI did not amount to a great fortune, in their desperate circumstances it was a lifeline. The big question was whether government would win out after all their efforts. No! They took the federal government to court, claiming that they were being unjustly refused the unemployment insurance to which they had a legal right. The trial dragged on for months but eventually the small woodlot owners prevailed. In the opinion of Judge Raymond Decary, the forestry group was an incorporated body, legally distinct from its members. By working for the corporation, woodlot owners were not self-employed. As individuals they had given up all managerial control over their land. The regulation in question obviously had more to do with management than ownership. The proceedings of the trial are outlined in the book "Défaire la Défaite" (Undo the Defeat) by Drapeau and Gagnon.

The preceding court case has a lot in common with a situation in Prince Edward Island where a number of low-income people managed to subsist by gathering Irish moss, a kind of seaweed. Some of the older women were employed drying the seaweed in their homes. Government, upon learning of this, disqualified these older women from benefits and they had to pay back money received. The irony of it was that near by some people were employed on a grant to do the same thing. However, a special building was constructed and it was considered company property, a factory. They satisfied the regulation and qualified for unemployment insurance. I suppose regulations are necessary, and government officials are bound in conscience to apply them, but common people find some of these very difficult to accept.

The Woodlot Today

The forestry group eventually became independent of J.A.L. It took in other villages with a combined population of about 10,000. When I interviewed manager Gerald Lavoie, he was reviewing his monthly financial statement. As mentioned before, the ability to produce a monthly statement is a sign of sound business practices. Gerald is a self-educated person, realistic about what he can and cannot do, and has been with this project since 1978. Previously, he worked as a woodcutter and wood measurer. He knew he had limited financial skills so he hired the best bookkeeper he could find. Asked about the other projects in J.A.L., he felt that the grants they received made it too easy. Those involved did not have a real stake in the enterprise. He said that his own board of directors was tough because it was their land he was

managing. He, in turn, has to be demanding, so anyone who does not produce gets fired, no matter who it is. The same rules apply to everyone.

The forestry group is legally a joint stock company, but is operated as a cooperative. There are 250 members, 175 of whom are small woodlot owners. In return for turning over the management of their land to the company for 15 years, they get two shares each. The seventy woodcutters employed on the project receive two shares each from which they derive about 4 per cent of their annual income (some $400 — remember they do not cut wood 12 months a year — they collect UI benefits and do other work). The company's main activities are providing wood for the lumber industry, and reforestation. In 1982, this community company, in cooperation with eight other groups, purchased a sawmill as part of a vertical integration strategy. The operation failed, entailing a loss of $100,000 for the forestry group. One of the main difficulties stemmed from the nature of the board. Board members were far-flung, from Auclair to New Brunswick. It was difficult to get them together, and when they did meet, they could not make decisions without consulting the organizations they represented. Gérald Lavoie believes the sawmill also encountered the kinds of problems all businesses were having at that time, particularly high interest rates. If the mill could have "hung on" for a couple of years, it probably would have survived; but the board was not prepared for the risk involved in losing still more money.

Reginald Tremblay, president of the forestry group at J.A.L., said in his annual report, "We have learned that it is better to exploit our strong points, that an enterprise cannot be administered at a distance, and, finally, that it is the involvement of the employees which permits an enterprise to survive a period of crisis." The following are some of the activities reported by the forestry group:

1. Purchase of the building owned by a bankrupt J.A.L. project.
2. Purchase of a woodlot.
3. Silviculture contract with another woodlot group.
4. Negotiation of a wood-supply contract with Guerette Sawmill Inc.
5. Negotiation of two reforestation contracts with the federal government.
6. Participation in a spruce budworm evaluation project.
7. Purchase of a modern debrancher.

Further Projects

According to studies carried out by J.A.L.'s Agricultural Committee, the area's soil is excellent for potato cultivation. Since seed potatoes were not being grown in Eastern Quebec, a campaign was started to establish a seed-potato farm. In 1975, having raised $30,000 among residents, 400 persons voted in favour of the Development Cooperative sponsoring the project. This money constituted start-up capital. Eventually some provincial assistance was also provided. Federal assistance was received through the Warehouse and Storage Program to enable the cooperative to build a structure for potato storage. The project looked promising. During the summer, approximately twenty people were provided temporary employment. But, again, problems were encountered with government regulations. The provincial agency responsible for agricultural credits decided the seed-potato farm was not eligible since it was not privately owned. Cooperative members decided that the farm could not be financed without agricultural credits, so they sold it to several individuals who had worked on the project. Since that time, the seed-potato farm has done very well. It is a successful project on its own, but it is no longer part of the community development corporation.

In retrospect, it is unfortunate other business options were not explored. One option often used by CDC's is the formation of a joint stock company which can be

partially owned by the community cooperative or corporation, and partially owned by individual entrepreneurs. A joint venture can permit overall orientation by the community group as well as individual input by entrepreneurs. With ever-changing government regulations and economic circumstances, there is a distinct advantage to being flexible in legal structures, while stubborn in adhering to community goals.

Next, the Development Cooperative set up a maple sugar project. Start-up funds were provided by a federal Local Employment Assistance Program (LEAP) grant. Crown land was rented and a share-capital company formed. Fifty per cent of the shares of the company were held by the Development Cooperative and fifty per cent by the Workers' Cooperative. This arrangement may appear cumbersome, but such organizations are often necessary to comply with the particularities of government grant regulations. One obstacle, for example, is the LEAP grant requirement that disadvantaged workers be hired. LEAP is a federal government employment program designed to assist in the establishment of local enterprises which will employ disadvantaged workers. As a result, one cannot simply hire the person(s) most competent for the job, but must seek out persons who have problems which make it difficult for them to find a job.

Today, the maple sugar project consists of two modern buildings, good processing equipment, and a maze of pipes running through the forest. One of the buildings is a restaurant catering to the tourist trade, and is now leased to private operators. The maple sugar project has been plagued by management and financial problems, however. Employees appear well able to do the practical work, but lack training and experience in management functions, especially financial planning. The complex is no doubt worth in the vicinity of half a million dollars. The main debt, owed to the Agricultural Credit Agency, is $100,000. On balance, that does not appear unhealthy, it is a short term debt. Those with some experience in the community economic projects know what that means. The monthly payments are very high, and even minor unforeseen difficulties can cause cash-flow problems. Some examples: (1) last year, a $10,000 shipment of maple confectioneries was trucked to Montreal. Because of a technical problem — suspected lack of ventilation — the candies spoiled and the buyer would not accept them. (2) A company in Hull, which purchased bulk syrup, went bankrupt; another loss of approximately $10,000.

People involved in community enterprises recognize this scenario, as does any businessman. It happens, and survival depends upon management skill. People at J.A.L. admit a weakness both in marketing and in financial management. They simply have no operating capital. Before workers can be paid, they have to sell the maple syrup. At the time of my last visit, the project was attempting to take out a six-month $50,000 loan.

Another project concerned a private casket factory bought out by the Development Cooperative. The original operator stayed on, and again a LEAP grant was obtained to start up. Workers seemed quite capable on the production side, but encountered an enormous marketing problem. Funeral directors are often under long-term contracts with casket companies. Also, if a factory sells to funeral cooperatives, it will be boycotted by private operators. Normal business practice, which helps guarantee the survival of an enterprise, would be to produce only when sales justify it; when inventory goes up, workers are laid off. LEAP does not allow this practice, however, so there is a danger of building in underemployment, and resultant low productivity.

One other project worthy of note was a spruce oil enterprise established with the help of $25,000 raised in a local campaign. The company lasted about three years, then failed. Over the years, the Development Cooperative has provided a number of small

independent businesses with technical and professional advice: a door and window company, a riding stable, a fox farm, etc.

The original J.A.L. initiative now consists of two independent organizations: the forestry group, which appears to be very successful; and the J.A.L. Development Cooperative, involved in a number of diverse activities as outlined, but mainly supporting the maple sugar project and the casket factory. The Development Cooperative and its business projects are in difficulty. As part of an evaluation process, it organized public meetings in St. Juste, Auclair and Lejeune. At the Lejeune meeting in November, 1983, 30 people were present from a population of 150 families. The main thrust seemed to be a desire to get rid of the problems. People were tired of going to meetings and serving on committees, of which there are many. A number of those present felt the maple sugar project and the casket company should be sold to private interests. They had had problems with the seed-potato farm, had sold it, and now it was successful. "In private enterprise people work overtime for nothing, and put their heart and soul into the business. In the co-op, workers only do what they are paid for," complained one lady. Clement Vezina (who along with Maurice Gendron are local clergy who provide a tremendous moral force in maintaining the J.A.L. movement), questioned the advisability of selling off these ventures. He pointed out that the seed-potato farm works better in private hands because of low-cost financing not available to a co-op. Also, he continued, if the Development Co-op divested itself of all enterprises, it would have no source of revenue in the future. It would be a simple service agency and would survive only as long as it received government grants.

Another time I spoke to an employee. She was in favour of turning everything over to private enterprise in the interest of greater stability. She also expressed anger at one of the original organizers: "He gave us hope. He said that if we worked hard, donating our time and money, we would have jobs. After ten years, we still don't have jobs. All we have are grants."

I asked Clement Vezina whether J.A.L. was worth it. Clement pointed out that the chief reason for establishing J.A.L. ten years ago was to keep the village from closing down. In this, they had succeeded. "There has been an incredible improvement. Through the efforts of the Development Cooperative, the whole highway system has been improved, a new telephone system has been installed, the housing stock has been radically upgraded. The whole municipal infrastructure has been improved. In all, there has been over $15 million invested in infrastructure over the last ten years. People have learned to work together for survival. A high point was reached in 1978-79 with an extraordinary level of involvement by citizens. They had five or six very strong staff people. Now most supporters are tired. There have been too many committees and too few results. There is hardly any staff left. So now we are at a new stage. We need a new set of objectives, and we need new leadership. We especially need a new kind of staff knowledgeable in management and finance."

Certainly, new structures and new kinds of resources are needed. Initiating a project requires a particular kind of activity: people have to be inspired, to be shown new possibilities; animation and communication have to be promoted. Once a project is operational, management techniques and financial controls become paramount. Infrastructural support systems have to be worked out through trial and error. In the Lejeune anniversary booklet, edited by Maurice Gendron, each stage of Lejeune's history is described as a rebirth. The fourth stage was "taking charge" by initiating projects. Now J.A.L. is going through the birth pains leading to a fifth stage, that of managerial imperatives.

Jacques Grandmaison, a sociologist, and a leading priest-activist, is quoted as saying, "These impossible people, who are our own, live...struggle...dream against all logic and sometimes even against history."

The SAIREQ Federation

J.A.L. is a member of SAIREQ (Société d'Aménagement Intégré des Ressources de l'Est du Québec), a confederation of nine community economic development groups, including non-profit corporations, cooperatives and joint stock companies. All were founded in the early 1970s as a result of Operation Dignity. SAIREQ provides technical services to member groups and plays a coordinating role. Occasionally, SAIREQ also serves as the voice and lobby for member community development corporations. Each member organization has a representative on SAIREQ's board of directors. Presently, member CDCs are represented by their chief executive officers. An interesting question is whether board or staff people should be involved at this level. In this case, it was felt that full-time staff had a larger stake in making SAIREQ work.

SAIREQ's budget comes from membership fees. Each member CDC contributes approximately $15,000 per year. Each CDC in the system receives an annual provincial grant of approximately $48,000. Recently, the provincial government ruled that no more than 50 per cent of the membership fee ($7,500) could be paid out of the government grant. The balance has to come from other sources.

Jocelyn Lachance, SAIREQ's executive director, joined J.A.L. in the early sixties and has been with the movement ever since. He is very sensitive to the difficulty of maintaining a balance between the social and economic objectives of the movement. He recognizes that in the past social animation and building awareness among a discouraged people were the priorities. He sees the big challenge for the future to be the establishment of stonger management systems. SAIREQ's budget is small, and with only three people on staff, it can help develop the movement only if it can obtain more resources. At times government considers this kind of federation a threat. SAIREQ itself has not received any federal aid. Officials seem to prefer dealing with individual groups.

SAIREQ did play a key role in organizing a united front to negotiate forestry contracts with government. Gerald Lavoie, manager of the J.A.L. woodlot, expressed strong support for SAIREQ, pointing out that obviously together they were stronger than if they had bargained individually. A SAIREQ report points out that a part of a development corporation's rationale is disagreement with official government plans. It represents an attempt to let local people decide what they want to do and to carry it out themselves. It is not surprising, then, that both the federal and provincial governments tend to view the federation with suspicion. Government bureaucracies prefer to set up their own systems to access and interpret public opinion. A case in point is the Canadian federation of LEDA (see Glossary) and subsequent LEAD corporations. These corporations are funded by Employment and Immigration Canada but were set up to speak for local communities. These groups opted to form their own association, distinct from other community corporations which were not funded under the same government program. The rationale was that as a group they operated under the same government regulations and had to deal with the same government officials. While this in fact gives them something in common, it means that their association has been shaped by the government's role rather than in response to community realities.

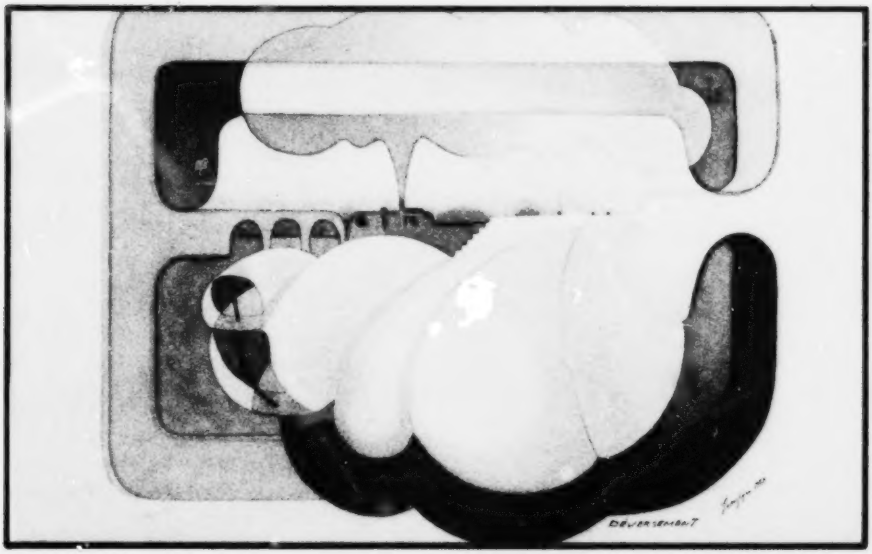
Governments cannot be easily comfortable supporting SAIREQ and its member CDCs because the whole movement arose almost in spite of government. SAIREQ and its member CDCs are difficult to control since they do not accept the "rational" plans of government officials; so they are "irrational." Dostoevsky once stated: "When they prove that man acts according to a mathematical formula, man will go insane to disprove it."

From my own observations, I would say that SAIREQ is essential in providing an infrastructure to support member enterprises. Through such a federation, it is possible to avoid re-inventing the wheel, to take advantage of economies of scale, to exchange technology and staff and, to develop common services especially in the financial domain.

The results of Operation Dignity go beyond the projects which were initiated. A social movement of this type has effects even beyond its geographical boundaries. However, an important part of the test of an idea is the concrete visible projects that survive. As the SAIREQ report puts it, "These corporations do not make speeches; they don't elaborate paper projects; they are directly involved in action; they 'get their feet wet'; they carry on economic activities; they create jobs; they mobilize the population! Without doubt, they have made errors and they will continue to do so, but they have the great merit of working to achieve concrete results."

J.A.L. has been described in some detail to give the reader a feel for the reality in Eastern Quebec. However, there are also eight other community development corporations in the general region. They are listed in Appendix II with a brief summary of their operations.

MONDRAGON IN SPAIN*



A chance meeting I had with the chaplain of the Basque fleet in Newfoundland led to an invitation to be his guest at his home in Zumaia. For hundreds of years the Basque fleet has fished the Grand Banks off Atlantic Canada. I had recently learned that the Basques in Spain are also famous for the most successful complex of industrial cooperatives in the world. I took advantage of this unique opportunity to gain first hand knowledge of this fascinating experiment in community economic development.

BACKGROUND

The Basques are not Spanish, French or Celtic. Their history goes back in an unbroken line to the unrecorded past. In ancient times they were famous as makers of armaments. Their language has no obvious relationship to other modern languages. The population of the Spanish Basque region is approximately 2.5 million, about 50 per cent of whom are first or second generation immigrants from other regions of Spain. The Basque region is on the north coast of Spain. It has many small ports which serve as home base to their fishing fleet, one of the largest in the world. The mountainous countryside is a continuation of the Pyrenees range.

*The name Mondragon in the Basque language is Arrasate. This is useful for the traveller since highway signs in Guipuscoa will read Arrasate rather than Mondragon.

First Impression

To get to Mondragon from Zumaia, one takes a delightful, small electric train which connects many of the villages and towns. Most of these trains date back to the 1920s. They jolt along at a pace which permits the traveller to fully absorb the beauty of the countryside, through an open window if one wishes. Going through the numerous tunnels, old-fashioned bare bulbs reminiscent of the 1920s go on overhead. Then, as we passed through a picturesque little town of 2,000, I saw an immense modern factory, with hundreds of new cars in the parking lot. This scene was repeated many times as we journeyed through the many small towns.

The traveller must switch to a bus in Zumarraga. Mondragon has no rail connections. Mondragon does not even have a hotel, simply a few small inns. I had always been led to believe that large modern factories could not survive in small towns. Mondragon has a population of under 30,000 yet it does a billion-dollar business and is the location of the largest domestic appliance factory in Spain.

The official economic gospel in Atlantic Canada and Quebec, as noted earlier, is that economic development has to be concentrated in growth centres, or at the very least in development zones. In Canada, I have heard government officials state that cultural institutions should be federally supported only in large centres to enhance their attractiveness for high-powered executives and their families. The Basques do not appear to be aware of these "necessities." As Maria Pilar, my hostess, put it one evening: "Our mines are worked out and the land is not good for agriculture. We have to go thousands of miles for fish. We have no resources. We must rely on our brains and hard work — and we work together."

After a few days in Mondragon, I was invited to attend the academic defence of a thesis on the philosophy of the Mondragon movement's founder, the late Father Jose Maria Arizmendiarrieta. For simplicity, this outstanding pastor is referred to locally as Don Jose Maria. On this occasion a number of leaders involved in the Mondragon movement were present, including a priest, Jose Maria Mendizabal, who had been a friend of Don Jose Maria, and the president of the Polytechnical College, Jose Miguel, who exemplifies the spirit of the movement. He explained that education was and is the foundation of the Mondragon experiment. A technical school was the first project started and everything else grew out of this. Today, Jose Miguel and his colleagues are concerned, not with the glories of their past history, but with the future. The college's role is to prepare students to contribute to tomorrow's society. Opened in 1943, the school made possible the great expansion of the 1970s. As Don Jose Maria repeatedly stated, "knowledge is power" and the "socialization of knowledge gives democratization of power."

Leaders of the Polytechnical College know they must now prepare their students to lead the socio-economic development of the 21st century. They know that the fewer people working in the factories will have to be more highly specialized. They know we must be prepared for a society with more leisure. They know the notion of work will change radically with ever-increasing automation. The Polytechnical College is not a place of idle academic speculation. It is a maze of technical workshops with an attached student cooperative factory. Over half the students work four hours a day in the factory, and thus earn their tuition. The college is also structured to guarantee linkages with the outside community. One third of the board of governors is made up of professors, one third of students and parents of students, and one third of delegates from the various cooperatives.

Close to the school is a modern building; the central part is six-sided and partially on stilts. This is Ikerlan, the Research Centre, a cooperative founded in 1977. Formerly, research was carried out by professors at the Polytechnical College but, eventually, it had to be made a separate entity. Some of the professors simply moved to

the new institution. Ikerlan is owned and operated by the members: the industrial co-ops, the cooperative bank, the staff, who are all voting members, and the League for Education and Culture.

Ikerlan's purpose is to study and apply the latest technological developments to the local economy to ensure that its industries are as advanced as any in the world. It specializes in micro-processors, computer-assisted design, thermal systems including solar, informatics, etc. A staff member proudly showed me an industrial robot they had built. He reminded me of a mother showing off her new-born baby, dreaming of all the wonderful things he/she would one day do. It must be pointed out here that automation does not mean workers lose their jobs. The workers own their factories and hence have job security. They simply want their industries to be as efficient as possible. In general they seem to look forward to eventually working less, and having more free time.

To provide some indication of the size and nature of the Mondragon movement, following are the main elements of the total complex:

1. The Polytechnical College
2. The Ikerlan Research Center
3. The Cooperative Bank or Credit Union (Caja Laboral Popular)
4. The Social Security Association (Lagun Aro)
5. Thirty-one industrial cooperatives producing capital goods
6. Seven cooperatives producing castings and forgings
7. Twenty-six cooperatives producing intermediate goods
8. Twenty-seven cooperatives producing consumer goods
9. Five construction cooperatives
10. Four service cooperatives

The above cooperative complex (a more detailed outline is contained in Appendix III.) has a yearly business of over one billion dollars and employs some 20,000 workers. It was all started about 40 years ago by a group of people with virtually no financial resources but a lot of ideas and a high level of commitment. Like other socio-economic realities, the Mondragon experiment can only be understood in its historical context.

Prior to describing the basic composition and operations of Mondragon as it exists today, we will undertake a brief review of the Spanish Civil War and the involvement of Don Jose Maria, followed by a description of Mondragon's historical evolution.

Civil War: 1936-39

After the abdication of King Alphonsus XIII in 1931, Spain became a republic. Both the Basque and Catalonian areas (Catalonia is the province in the Northwest corner of Spain the capital of which is Barcelona.) supported the republic — with the understanding that each of these ethnically and linguistically distinct regions would be given autonomy. Right-wing royalists, the Nationalists, opposed the new republic, however. Led by General Franco, they launched a rebellion on July 18th, 1936. Socialists, anarchists and communists rallied to the support of the republic.

Many people without strong convictions doubtlessly fell in with one side or the other merely through circumstances. There ensued a bloody and cruel war which killed hundreds of thousands of people. Shortly after Franco's declaration of rebellion, the republican parliament declared Basque and Catalonia autonomous republics, leading to a more intensive battle in those regions. With battles raging all over Spain, foreign countries took an increased interest. England, France, America and Russia favoured the Republicans, while Nazi Germany and Italy favoured the Franco-led Nationalists.

Citizens from democratic countries volunteered to serve in the famous International Brigades while Hitler and Mussolini sent troops and aid to Franco. A famous painting by Picasso commemorates the German air force's bombing of Guernica. The death toll was 1,654 in this ancient and beloved Basque village of 7,000. In 1937, Bilbao fell to the Franco forces, followed by Barcelona in 1939, and finally, in March 1939, by Madrid. The war ended with the Franco-led fascists in power. Six months later, the Second World War was declared and a devastated Spain remained neutral.

The Founder

Jose Maria Arizmendiarrieta entered the seminary in 1931 at age 16 to begin preparation for the Catholic priesthood. This was the year the Republic was declared. In all of Spain, especially in the North, debates raged about politics and economics. Society was divided and the church itself was split into two camps. Reformers accused the church of supporting capitalism and the old royalty. Radicals, one of whom was Jose Maria's uncle, threatened to invade and burn the seminary where Jose Maria was studying. On the other side of the debate, French and Belgian christian intellectuals, such as Emmanuel Mounier, were developing new theologies of christian social action. Some seminary professors were discussing the concept of a social gospel. Irrespective of differences in theory, however, the environment was totally Basque and this provided a strong base for unity.

When war broke out, Jose Maria was 21 years old. Home on vacation at the time, he was immediately drafted into the Basque army. Assigned to the Department of Publications, he helped found the reviews Gudari and Eguna. As a journalist, he followed the war issues very closely. In one of his observations, he noted the futility of pitting the Republicans' idealism against modern technology and logistics of the fascists. On one side he saw the people he loved, governed by passion, idealism and culture. On the other side he saw the enemy, governed by methodology, hierarchy, professionalism and economic power. Jose Maria learned that idealism and culture are powerless without knowledge and technology.

Jose Maria was imprisoned after the fall of Bilboa, then assigned to Franco's army. While working at the administrative headquarters, he received his bishop's permission to study theology in his spare time with the help of a theology professor from Burgos. He spent 1940 at the seminary in Vitoria, was ordained and celebrated his first mass on January 1st, 1941. He was to study sociology at the University of Louvain, but at the last minute his bishop sent him to Mondragon as an assistant pastor.

In 1941 Mondragon was a wounded and divided town of about 10,000. It had a long tradition of metal work. Its main industrial boost in modern times was in 1906, when two lock-manufacturing companies combined and expanded to form Union Cerrajera. The 1920s were marked by strikes and heated political debate, especially between the Church and the Left, divisions which were exacerbated by the Civil War.

For Don Jose Maria, there was no contradiction. Christianity implied socio-economic justice and the full development of every human being's potential. As his biographer, Jesus Larranaga, put it: "He did not limit himself to the mental framework of Heaven, Hell, Sin and Grace. Rather, he felt salvation was achieved in people's concrete lives. Salvation is achieved through community action and involves the development of the capacity to think, to invent and to serve." (J. Larranaga, *Don Jose Maria y la Experiencia Cooperativa*, p. 74.) He valued ideas, but only to the extent that they could be productively applied. He believed the world had to be transformed. Don Jose Maria was not always well received in church circles, of course. At one church meeting he argued for a spirituality of the economy. As some priests walked out, Don Jose asked, "If the gospel doesn't apply to the economy, where does it apply?"

"His ideal was a declericalized Church, an open and democratic society, a healthy community to make incarnate the good news which constitutes full human and social development." (Larranaga, p. 77.) He saw his priesthood as service consecrated to the community.

The intellectual base for Don Jose Maria's thinking has been emphasized here to refute the belief found in some quarters that the Mondragon experiment can be understood only in the light of the teachings of Marx or Mahatma Gandhi. While the work and intentions of both these thinkers are worthy of respect, Don Jose Maria's basic, straightforward ideas were derived from a definite Judaean Christian tradition. In fact Don Jose Maria was impatient with "isms" (including cooperativism). "Ideas divide us but necessities unite us," he said. (*Penslamientos de Don Jose Maria Arizmendiarrieta*, p. 32)

The transformation of society meant finding people capable of undertaking it, and that meant education. His own observations had shown him that the skills most lacking were technical and professional education. People had the desire and the will to build a new society, but not the technical know-how. The only school of this kind at the time was a small apprentice school attended by children of employees attached to the Union Carrajera, and it was not enough. Therefore, in October 1943, Don Jose Maria started a new technical school open to all. Students were primarily given a technical education but they were also taught concepts of their duty to the rest of society. From the first he promoted the idea that students should do practical work as part of their education. Later he would insist that education is a lifelong pursuit for all working people, especially professionals. "To progress is not to have more but to be more." (Larranaga, op. cit., p. 110).

From this small technical school, some students went on to study engineering through an arrangement with the University of Zaragoza. There were nine students in the first group to complete their studies. Dissatisfied working for existing companies they discussed new approaches to business with Don Jose Maria. They wanted to make human values primary, yet maintain efficient and professional organizational methods. Don Jose Maria applied to have a company incorporated, but the application was rejected. Franco and his government were still bitter and suspicious of Basque development after the war. Don Jose Maria and his group could expect no cooperation from the highly centralist government in Madrid.

Then an electric stove manufacturing company went up for sale in Vitoria, a city of 100,000 about 50 km from Mondragon. With the advice and encouragement of Don Jose Maria, they borrowed $5,000 from friends to purchase the company in November 1955. Having obtained a license to produce stoves, five of them assumed the main responsibility for the business, which they called Ulgor, the first initial of each of their names.

They worked hard and demonstrated ingenuity in re-designing the stove. In the summer of 1956, ten persons were working in the shop. There were many technical problems, the worst leading to an accident that killed one of their workers. But their product sold and the business succeeded.

In November 1956 they took a decision that puzzled many. They moved their business to Mondragon — a town with none of the commercial advantages of Vitoria. They had concluded that their experiment in an alternate economic model would not work in a large city where interaction with the surrounding community would be difficult. In small communities, ventures, projects, problems are part of normal life. People have to be more inventive and self-supporting than in large cities. They also discuss a great deal among themselves, something a large city does not encourage.

At Mondragon they tried developing new products, not all of which were successful. Thus they invented an innovative ironing board, but discarded the project

on the basis of professional advice. Their stove business was successful, but still they were not incorporated. Eventually, they decided the cooperative approach was best suited to their objective, and in April 1959 they were incorporated as a cooperative.

Leaders at Mondragon frequently refer to the need for pragmatism. They follow the teaching of Don Jose Maria which holds that as long as human and community values are pursued, any type of technical organization is open to use. Besides the democratic values of "putting people first," the only criterion should be what works best. The founders wanted a flexible structure, useful in a competitive market.

Capital and Cooperatives

The concept of *capital* was a key concern of the Mondragon founders. They felt it an injustice that the owners of capital should be the only ones with a say in an enterprise. Here was a case of placing material gain above the value of human beings.

An important paper entitled "Total Society," presented at a 1953 meeting of the Association for Religious Education argued that the problem in business was not capital participation, but that the other parties in business, workers and management, are not recognized. The big problem is to devise a system which allows all three elements to participate, and still be efficient and competitive. In Mondragon it was decided from the beginning to pay a salary to capital in the same way a salary is paid to workers. In fact, they don't use the term salary; they use the term anticipated income. Every payday a worker would get his or her proportionate share of anticipated year-end income, but so would capital.

Don Jose Maria had difficulties with orthodox cooperators because they opposed this treatment of capital, an approach he felt represented the weak flank of cooperatives and responsible for many failures. Don Jose Maria was impressed by the ability of multinational corporations to expand as their capital grew. In general, co-ops tend to distribute accumulated capital to their members rather than letting it grow. In the modern direct-charge cooperative, the only role of finance is to pay operating costs and there is no source of capital accumulation. While it is clear that Mondragon opposed capitalism (and all other isms), it certainly valued capital.

The distribution of income in Mondragon is a complex issue. At the end of a recent year, shares of income were distributed in the following manner:

> Fixed payments: (1) materials and services; (2) minimum share for workers; (3) minimum share for capital (interest). Variable payments: (1) to workers as a production bonus; (2) to the enterprise itself (management performance); (3) supplementary share to capital in view of business risks (interest).

This accounting exercise may seem laborious to many but it was developed as a compromise in a context very sensitive to politics and ideology. The founders wanted to avoid situations such as existed in France, where no value was given to capital or modern technical management. They saw that a worker-owned business could become a perpetual general assembly. Self-government without self-financing made no sense to Don Jose Maria.

By the summer of 1959 the Mondragon founders were operating a foundry and producing stoves. They were successful at what they were doing, but realized that expansion would require the services of a financial institution which would serve several purposes: (1) capitalization of new cooperative enterprises; (2) coordination of, and technical assistance to, new enterprises; and, (3) management of a social security program. (The Madrid government excluded Mondragon's employees from the national plan since they were considered, as cooperators, to be self-employed.)

In July of 1959, with little formality, they incorporated a credit cooperative. The two pillars of the Mondragon movement are work and savings. As Don Jose Maria repeated: "Savings are necessary to renew equipment and to create new enterprises." Mondragon could not count on outside help. Workers and local people had to provide the capital. Their motto was "Libreta o Maleta" (savings-book or suitcase). Young Basques were forced to emigrate to find work. By investing in their own community, emigration would not be necessary.

The new Credit Union (Caja Laboral Popular) soon became the driving force behind the whole complex. It was organized as a "second level co-op," with membership including both producer co-ops as well as the bank's employees. The bank expanded quickly, opening branches in small towns and villages, but avoiding large cities. "Let us make richer communities rather than richer individuals." Small-town people preferred to deal with their own cooperative bank since they could see their money being used to create jobs and to help their neighbours. (It is interesting to note that Canadian credit unions never really got interested in local business investment. Also, Canadian credit union headquarters tend to be in larger cities, while Mondragon's is still in a small town.)

Expansion of the cooperatives and the bank went together. By 1963 Ulgor was quite large, so it was subdivided into several independent cooperatives. The foundry became the basis of *Ederlan*. The production of mechanical pieces went under the name *Copreci*. The electronic division went to *Fagor* Electronic. Each co-op was legally independent, but a unified complex was being created with key control vested in the bank. Members of the cooperative bank or credit union were asked to buy long-term debentures at low interest rates. The social security insurance money as well as pension funds were invested through the bank. Cooperatives also began investing in each other through the bank. A Contract of Association, through which member co-ops are very closely bound to, and monitored by the bank, will be explained further in this chapter.

ULARCO Federation

In 1965 a new cooperative named *Ularco* was created to encourage collaboration between the cooperatives. From the beginning, leaders were cautious that a cooperative not become, as Kropotkin had warned, an exercise in collective egoism. Each cooperative had a responsibility to the larger society.
Ularco's special functions are to:

1) Encourage the standardization of working conditions — wages, benefits, hours, etc.
2) Promote the movement of capital among the cooperative enterprises.
3) Promote benefit sharing.
4) Transfer technology.
5) Acquire new product licenses from countries such as the U.S., Germany, France and Italy.
6) Accept "turn-key" contracts* for building new factories, especially in developing countries.

Each of Ularco's member co-ops must invest 20 per cent of its capital in another cooperative. This is accomplished on a demand basis; the money is available as a loan which can be called upon as needed. Commercial integration is also encouraged. An electric stove manufacturer will buy wire layouts from another associated producer.

*This means that Ularco takes charge of the entire operation, from land preparation, through building construction, to installation of equipment. When the factory is ready to function, the keys are turned over to the local operator.

Several groups will combine to purchase such supplies as enamel paint. At the social level, labour mobility is encouraged within the system. Each co-op has to provide Ularco with the names of workers (at least 25 per cent of its total workforce) who are willing to accept transfers. Rights and benefits are, of course, transferable.

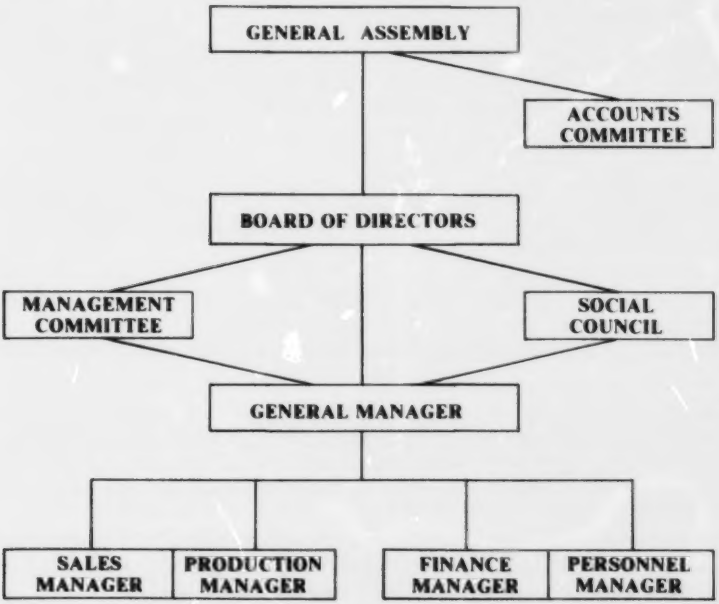
As a second level co-op, the General Assembly of Ularco is made up of a representative delegation from each associated enterprise. Each delegation includes the local board of directors, the management committee, and the accounts committee. The board of directors of Ularco itself is made up of one representative from each co-op board, as well as the general manager of each member co-op.

MONDRAGON: NO SOLITARIOS SINO SOLIDARIOS ("NOT ALONE BUT IN SOLIDARITY")

To have a better grasp of how Mondragon's cooperative complex works, we will first examine it from the point of view of an individual co-op, outlining its structure, next from the point of view of the individual worker and, finally, from that of the manager.

Normally a Mondragon co-op is established by a community group interested in starting a business. It usually has a product idea, for example, the production of light bulbs. It then goes to the credit union, which provides technical assistance.

It may be that the light bulb market is saturated. If so, the group is encouraged to choose another product. Ularco, for example, may have a license available to produce a new type of convection oven. If the project looks feasible, further organizational planning takes place. A manager is chosen and he or she then undergoes a two-year management apprenticeship program at the bank. Further, the bank appoints a management specialist to act as "god-father" to the new enterprise during its early years. Once the producer co-op has been established, its structure looks like this:



Workers with four years seniority have the right to vote at the General Assembly. Meetings take place once a year to choose the new members of the Board of Directors and to approve various reports. Boards are made up of three to twelve members. Nominations to the board are made in the following manner: (a) one-third by open nomination from the general workforce. This type of nominee requires 20 per cent of the signatures of eligible voters. (b) one-third by the Social Council, and, (c) one-third by the previous board. There must be three nominees for every vacant seat, so that the General Assembly can make a real decision. The term of office for a board member is four years, with a turnover every two years. The General Assembly also selects an accounts committee, which is composed of only three members. Its first role is to monitor finances to ensure that proper procedures are being followed; its second role is to provide information to the membership.

The board appoints the manager who, in turn, selects the sub-managers or "team" which makes up the management committee. Its role is to ensure internal co-ordination and planning. The general manager is held responsible for the total operation. The board cannot interfere in operations; it simply approves or disapproves of the manager, and may demote him or her.

The Social Council is selected in a different manner. Each group of twenty workers involved in similar work (electrical, mechanical, etc.) has the right to name one delegate. The committee is thus assured of reflecting the total reality of the enterprise. Rank-and-file members who happen to be on the board of directors automatically become members of the Social Council. The Council concerns itself with salary levels, conditions of work, safety, and so on. In effect, it is responsible for most of the issues which would normally come under the jurisdiction of a labour union. In matters related to these subject areas, management must control this group which then also serves as a two-way information channel.

The Worker-Member

First, the worker must contribute to the capitalization of the enterprise. The creation of a new job usually requires no more than $40,000 in capital, of which the worker normally provides around 10 per cent, or $4,000. At the moment, the Spanish government contributes a further 20 per cent as a low-interest loan, and the cooperative bank supplies the remaining 70 per cent in the form of a loan. Typically then, the capital required for each new job is handled as follows:

	Amount	Interest
Worker	$4,000	4 to 6%
State	8,000	6 to 8%
Co-op bank	28,000	10 to 14%
	40,000	

Through personal financial involvement, the worker has a very real stake in the enterprise. If he or she cannot put up all the money at first, reasonable instalments can be deducted from salary.

Clearly, then, the average worker does not participate in management decision-making. Most members have a say only through the board election process. However, there is a very clear feeling of solidarity. Workers choose the board and own the enterprise. In times of economic difficulty, they may invest more money to ensure that the enterprise remains viable. In a strict sense, their regular pay cheque is an anticipated share of the year-end earnings, rather than wages.

Workers normally work 40 hours per week and receive four paid weeks vacation.

Retirement is at age 65. They also have job security. If their particular job becomes redundant, they are either transferred to another cooperative or return to school. In times of high unemployment, they accept a proportionate cut in salary to support redundant co-workers. At the end of each year, each worker is attributed a share of any excess revenues. It is placed in the worker's individual capital account, which is interest-bearing. Thus, upon retirement, workers have accumulated $40-60,000. In the interval, the enterprise makes use of this money as working capital. In addition to this lump sum, workers receive a pension which is 60 per cent of their average salary over their final five work years. Salary ranges throughout the whole system are limited to a maximum ratio of three-to-one. No employee, including the general manager, can earn more than three times the salary of the lowest-paid worker. There are a few, very few, exceptions to the limit in cases such as outside specialists.

Managers

Managers manage the business and answer to the board of directors in much the same way the director of any large corporation would. They are highly trained professionals. There is a certain similarity or "objectivity" in the problems facing a business manager regardless of who owns the business.

"For Don Jose Maria, cooperativism is an association for social and economic purposes in a democratic structure; but at the same time, and always, it is an economic enterprise . . . subject to the same laws which rule all economic enterprises, whether capitalist or socialist. To be cooperative is not to be the opposite of capitalist — rather, it is to assimilate the techniques of capital accumulation, such as developing capital and making use of technology and flexible forms of organization, but all the while giving priority to human values." (Larranaga, op. cit., p. 183). For Don Jose Maria there is a distinction between: (a) an economic enterprise guided by the principle of competitive cost (if it does not earn, it suffers); and, (b) a political enterprise guided by the principle of a budget provided by an outside source.*

There has been little attempt to implement worker participation in management. Mondragon organizers consider management to be so complex and technical today that only a few people are capable of understanding how to make certain decisions. As one commentator put it, a modern surgeon is highly trained and in the operating room he or she alone must make the important decisions — it cannot be done by committee. The special advantage of a Mondragon manager is the support system provided by the credit union and Ularco.

What bears considering is how Mondragon has been able to keep high-class leaders when the pay scale is so inferior to competitive industries. Management in general seems to have maintained the spirit of the founders. An important part of the reward for good work is the conviction that you are improving the world around you. Most of the managers are native to the Basque region and are committed to the social and economic improvement of their community. From a technical point of view, these enterprises are exciting places to work. The Ikerlan research centre, part of the support system, is in the avant-garde of modern techniques. The credit union has high-level professional personnel to assist with difficulties. Also, there is no adversarial relationship between workers and managers. Workers know managers are on their side, and that makes the job of management much more pleasant.

*It is not yet clear whether the new government-sponsored LEAD corporations (Local Employment Assistance and Development) in Canada will become (a) or (b), that is, self-sustaining enterprises, or government-maintained programs.

The Money Question

There is no doubt that the intelligent and pragmatic allocation of money has been a key factor in the success of the Mondragon experiment. Special terms have been developed by organizers, for example, to refer to different forms of income: salary for capital, in contrast to salary for labour; or, anticipated income rather than wages for labour. These distinctions may appear subtle and not particularly relevant in the North American context, but are important in the more ideologically concerned climate of the Basques.

Let us examine two points about money: (1) how salaries are set; (2) what happens to any surplus at the end of a year. In general, as stated earlier, the highest to lowest pay must not exceed a ratio of three-to-one. Each type of work is assigned a coefficient. For example, managers and sub-managers are in the 2.5 to 3 range. Work requiring intermediate skills may be set at 1.6, while unskilled and routine work may fall in the range of 1 to 1.4. Once the rate for the coefficient "1" has been determined, all other salaries are determined automatically.

The basic salary corresponding to the ratio 1 is determined by a number of factors: (a) average wages of workers in other non-cooperative industries in the area; (b) cost of living index; (c) cash flow of the enterprise. Salaries are then treated as ordinary operating expenses, like the cost of materials — a fixed cost. There is another category of expense which is variable, and is paid to the three "partners" in the enterprise: workers, capital, and the enterprise itself (managerial performance). After these fixed and variable expenses are met, any surplus is distributed by the board of directors in the following way: 30 per cent is divided among the Reserve Fund, the Social Fund and the Education Fund, with no more than 20 per cent going to the reserve. The remaining 70 per cent goes to the workers as a dividend for which they receive interest. The board will sometimes allocate a portion of the social and education funds to the establishment of Basque schools.

Support Cooperatives

Remembering the names of all the cooperatives, and their relationships to each other, is rather mind-boggling. There are a maze of relationships. Fundamentally, at the first level are cooperative enterprises which produce goods and services. The members are individual workers who elect their board. Each one of these cooperatives is a legal entity.

At the second level are two types of service cooperatives. The first type (e.g., Ikerlan Research Centre, the Cooperative Bank, Ularco) supports the activities of first-level cooperatives. Membership in these co-ops consists of other co-ops and institutions. The second type of second-level of co-ops are those that complement the work of other co-ops — such as in sports and cultural activity (League of Education and Culture). These also have an institutional membership.

The Credit Union (Caja Laboral Popular)

Many cooperatives are not fond of the credit card. As a traveller, however, I have been unable to resist its attractions. It is remarkably convenient to enter the credit union in the small town of Mondragon, thousands of miles from home, and get money in two minutes — simply with a credit card and passport. This small branch office of the credit union (Cooperative Bank) is at least as efficient and modern as any similar but privately owned bank. As mentioned earlier, it was established in 1959 to provide services to other Mondragon co-ops and to provide social security for their workers. The latter purpose was eventually turned over to a new organization called Lagun Aro, and is not relevant to our discussion here.

The credit union is the financial and ideological vehicle for the Mondragon movement. It publishes books promoting Don Jose Maria's purpose and supporting philisophical discussion of the movement's future. Don Jose Maria foresaw that co-ops on their own would never survive in a modern mixed economy. "Proceed in solidarity and not in isolation," he said.

The Credit Union is a second-level organization with all associated cooperatives plus the credit union employees as voting members. Including credit union staff overcomes the North American difficulty posed by staff and management having opposing interests, and where staff may go on strike. Mondragon's credit union employees may not constitute more than 46 per cent of the eligible voters, however. Member producer-cooperatives are entitled to one delegate for every 15 cooperatives. For the consumer division, there is one delegate representing the employees for every 15 cooperatives, with five supplementary delegates representing the general consumers; for Lagun Aro (social security), one delegate for every 15 employees, and one supplementary voter for every 300 of its social clients. All of the above delegates choose the Board of Directors. There are twelve members on the board: four representatives of the credit union employees, and eight representatives of the associated cooperatives. Two or three candidates must be nominated for each vacant seat on the board. This central board with one general manager is responsible for 133 branches with over 400,000 members and $125 million assets.

The Caja Laboral or credit union is divided into two branches, economic and entrepreneurial. The main purpose of the Economic Division is to promote savings that can be channelled into the development of cooperatives. However, the most fascinating part of the credit union is the Entrepreneurial Division. This division is responsible for ensuring that the money deposited really benefits the community which provided the money. It is such a simple and sensible idea that it is amazing other countries have neglected it.

Anyone with experience working in a fledgling cooperative or non-profit corporation will appreciate the tremendous service such an agency offers. Most of us keep trying to reinvent the wheel — somehow in the name of democratic social development. In their own literature, the Entrepreneurial Division describes its role as uniting the scientific treatment of problems and the professionalization of management with a capacity for risk-taking. In other words, they help the member groups take intelligent and informed risks in a world market which knows no nationality. Because of the rapid scientific and technological evolution in today's world, they see their role as more important than ever. As Don Jose Maria stated, "It is an offense against God to look behind; we must look ahead" (*Pensamientos*, p. 20). The manager of this division puts it this way, "The Entrepreneurial Division of the credit union offers its services to associated cooperatives with a renewed faith in the future, confident that with participation in the profound evolution in which we are participating, we can offer our people a future hope" (Divisional Brochure).

The Entrepreneurial Division is divided into seven departments with approximately 120 employees. Their general objectives are: (1) to assist in the organization of new cooperative enterprises; (2) to provide consulting services for those already associated; and (3) to provide a broad range of information services.

Areas of Service

Research Department — Its task is to analyze, interpret and provide information concerning the economic reality in which member co-ops operate (e.g., effect of Spain's entry in the common market; data on the Basque region). It also maintains the documentation centre.

Agricultural Promotion Department — This department specializes in refining agricultural techniques such as greenhouses. Don Jose Maria taught that industrial development without parallel agricultural development would eventually fail.

Industry Promotion Department — (a) The product development section continually searches for new products and new industrial activities which can be assumed by present or future cooperatives. It helps negotiate production license agreements with foreign companies. (b) The promotion section assists new cooperatives in their early stages, up to a point where the project has been shown to be viable. (Feasibility studies, group discussions, etc.)

Intervention Department — Its role is to assist member co-ops in planning, and to intervene when a co-op is in danger of failure. It specializes in the diagnosis of problems and methods of management reorganization.

Advisory Department — It provides: (a) export development; (b) marketing; (c) production engineering, involving efficiency studies, maintenance and design of production equipment (works closely with Ikerlan Research Centre); (d) personnel —assistance in the selection, organization, evaluation and training of personnel; (e) administrative/finance — covers areas such as general accounting systems, inventory control methods, business plans, office mechanization, etc.; (f) legal — specializes in mercantile, fiscal and cooperative law.

Audit and Information Department — This is the group that receives all the financial reports each member-cooperative must submit. It continually monitors the financial operations of members. The information role is fulfilled in the form of feed-back to members through analyses and comparative studies of their financial evolution.

Urbanism Department — (a) provides assistance in preparing urban infrastructure for factories, e.g., water and power; (b) plans and directs the construction of new factory buildings; (c) promotes and provides technical assistance for cooperative apartment buildings.

The intention here is not to give detailed information and lines of demarcation between all these departments. What is important to realize is how seriously economic and social development are taken, and how sophisticated the various services have become. They help explain why there has not been one business failure in the history of Mondragon. If a producer cooperative is not viable, they find a new product and refinance the cooperative. It seems they would prefer providing a fifty-year loan than seeing a member go bankrupt.

I have dealt mainly with the aspects of the Mondragon cooperative experiment which, in my judgement, are particularly useful to us in North America. For example, Eroski, the chain of consumer co-ops, has not been described because most readers are familiar with consumer co-ops in North America. The only noteworthy point with Eroski, for me, was that it has many branches but only one central board of directors. Also, I have not discussed the Polytechnical and Professional College, nor the schools assisted by the Mondragon co-ops, nor the Social Security Cooperative. Everyone who visits Mondragon will notice different things, depending upon one's background and experience. I have related what impressed me; and I have attempted to give an overall view of their concrete achievements and their underlying philosophy.

Sources of Success

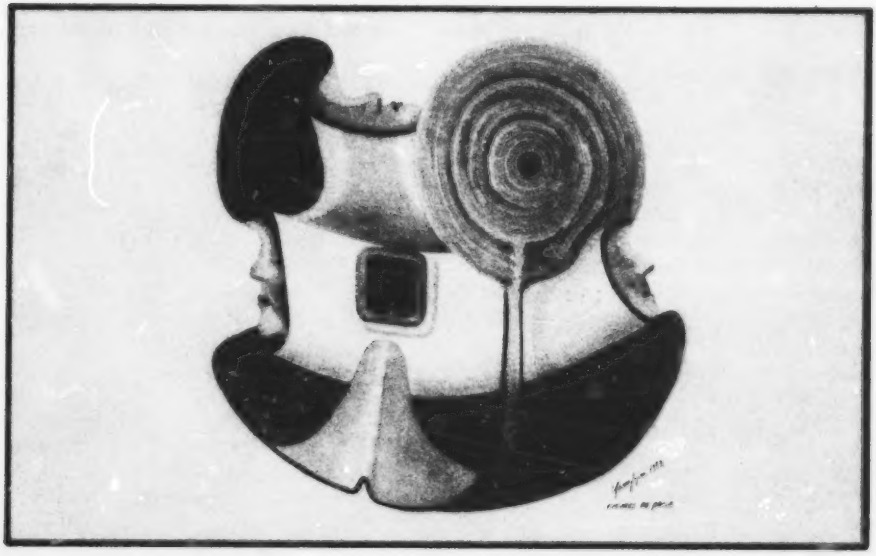
Mondragon has undeniably been a success up to now. Who knows the reasons for success? There is always a bit of mystery in success or failure. The book *Nuestra*

Experiencia Cooperativa, published by the credit union, lists a number of factors which contributed to their success: (1) the Basque industrial tradition; (2) the economic growth which existed in the 60s; (3) a favourable social climate; (4) the financial support provided through the credit union; (5) control of labour costs through social agreement; and (6) the support provided by the superstructure. One factor which strikes me is the handful of dedicated people who *assumed* leadership. This small group moved from one management position to another in the complex. They were, and remain, extremely dedicated and have a system of values which they owe to their teacher, Don Jose Maria. By actions such as their accepting low salaries, they proved their commitment to their community. The community responded with tremendous support. Of course, they were all Basques, and identified with Basque national culture (though not with Basque terrorism).

Many communities in North America would love to have a Mondragon. Unfortunately, these achievements are rooted in a cultural and historical context that cannot simply be exported. As Jesus Larranaga, one of the original members of the Mondragon group, points out, "In effect, the objective conditions in which the cooperative experience of Mondragon began are difficult to repeat; but it is the old story, that of historical moments which are never repeated. The important thing is to take advantage of them."

Even though we may not be able to import the Mondragon experiment as such, we can learn from it. I have referred to the Mondragon "experiment" and the Mondragon "movement" indiscriminately. It is difficult to decide which term is more apt. *Movement* implies a vital, dynamic process by which people share values, ideas, hopes and fears. It can progress only with a great deal of internal communication. It is not simply a doctrine that can be written down. It is more a spiritual reality. *Experiment* suggests trial and error. It indicates that the "doors" are open to innovation; they are willing to try. The ethos of experiment is hope and trust in the future. Underlying Mondragon, there was and is the confidence that a way will always be found against all odds. With Don Jose Maria, and throughout the movement, there is a utopian spirit. They have been visionary even while knowing they could not accomplish it all. But they would do what they could. The founder said, "I plead for the thesis to do the real within the possible" (*Pensamientos*, op. cit., p. 60). This has been described as a kind of pragmatism. "An idea that cannot be put into words is not a good idea. The words that cannot be put into action are not good words" (ibid., p. 80).

COMMUNITY DEVELOPMENT CORPORATIONS



We have examined three experiments in community economic development. While they differ widely from each other, they have several important characteristics in common: (a) their basic goal is community development and improvement through the use of economic resources; (b) rather than being one-shot affairs, they are attempts to develop an enabling structure to serve the local community on a long-term basis; (c) they wish to be autonomous and self-sustaining; and (d) most of all, they are local, self-help movements based upon the history and traditions of particular groups of people.

I am proposing that these characteristics are part of a new and emerging model for doing business in the 21st century. This model refers to a community development corporation, or CDC. Readers who identify with capitalism may have difficulty with the concept because the basic motivation is direct service to the community, rather than individual profit. Readers who identify with socialism may have difficulty because the model is partly based on private enterprise and is free of direct government control. In this chapter I shall clarify the concept of a CDC, illustrate how its social and economic dimensions can be reconciliated, explain the importance of technical expertise and discuss a variety of issues related to the role of the Board and staff.

The Concept

Community development corporations attempt to develop structures which combine social purpose with economic realities. In this sense they may be called cooperatives. The International Co-operative Alliance defines a cooperative as "an organization, usually incorporated, with economic aims formed by and for persons or business entities having common needs." According to the spirit of the cooperative movement, what makes a cooperative is the combination of the social and the economic; people work together in the economic realm to bring about social improvement. Thus the CDC may still be cooperative in essence, although incorporated under the Companies Act as a non-profit corporation. This is because the community corporation carries on diverse functions which do not easily fit under present laws governing cooperatives.

The CDC is a self-help organization consisting of people in a local area willing to give of their energy to control and develop their community as they see fit. Experience shows that the same people who donate time and leadership to service clubs, church organizations and other volunteer groups are quite ready to participate in a volunteer organization which operates as a corporation.

Importantly, there is a difference in the type of voluntary activity demanded. Veteran volunteers are often relieved when told: "In our organization you will not have to sell tickets or cook community suppers. If you are a lawyer, we want you to use your legal expertise on our behalf. If you are a financier, we want you to use your financial insights on our behalf. If you are a tradesperson, we want you to use your experience in evaluating our construction projects." In a community corporation, people are asked to contribute their particular skills. If the membership in a community corporation is well-balanced, it will contain a broad cross-section of skills and talent.

The term *community development corporation* explains in large measure the meaning of the concept. The basis of the organization is a group of citizens living in a certain *community*, a word which implies that residents share the view that their destinies are linked together. Whether this solidarity comes from a common tradition, a common enemy, or a common problem, it creates the possibility of working together. An authentic CDC must represent the community.

One must also bear in mind the idea that community development does not imply that the community does not already exist. Perhaps it has been in existence for a long time, and is now threatened. This is especially true of some North American native communities which have strong social bonds but a weak economic base. In some instances society has changed in such a way that old communities lose their viability, as in the case of depleted communities. The organizer's task in this instance is to provide economic structures adequate for survival.

Because of the intensification of both political and economic centralization, peripheral communities have become more dependent. Power is normally centred at the national or regional level. Community economic development must be based in a specific geographical locality, which then requires transferring power back to the local level. Some will disagree on the significance of a geographical locus, arguing it is not essential to community development. Such a view ignores the fullness and complexity of human and social reality. It takes times, even generations, for a community to establish relationships and to build an identity. People are not interchangeable parts which can function just as well in another location. We must accord prime importance to the social context to appreciate what constitutes appropriate development. The inhuman industrialization of the nineteenth century produced the idea that people were independent of their socio-historical context and could be moved about according to the vagaries of industrial needs. The twenty-first century may use economic instruments in the service of nobler ideas.

Development implies a process of creating or revitalizing social patterns or institutions. The impetus for action is the community's perception that there has been a deterioration and that development is lacking. The community is often depleted and local structures are inadequate to respond to problems, in which case consensus is easily reached on the need for development. However, a debate may arise over its nature. From a citizen's point of view, development has to be holistic. It must be concerned with what is perceived to be lacking, whether social, cultural or economic. In real life, these three dimensions are integrated.

The word *corporation* suggests economic activity or payoff. It is a business, but not one owned and operated by an individual. A corporation is viewed as a legal or "moral" entity to indicate a fundamental distinction between its responsibility and that of its owners or employees. Hence employees and/or owners may do good things, and the corporation bad things, or vice versa. Once incorporated it has a life of its own. Corporations facilitate the accumulation of large amounts of capital beyond the capacity of small businessmen. Limited liability protects the individuals involved and encourages risk, thus making it possible for someone to sue and not get a penny because the corporation is bankrupt, while several employees are millionaires.

A corporation combines capital and business expertise in a systematic way to achieve goals established by the directors. In some ways the community corporation represents a renaissance of the traditional corporations which were set up by royal charter to serve the interests of the state. Though the goals of the CDC are social, the techniques used to assure economic viability are very similar to those developed by business corporations over the last few hundred years. These include division of labour, coordination, systematic methods of utilizing capital in efficient ways, systems of checks and controls, subsidiaries, and various other relations. Of course the motivation is to serve local community needs, as opposed to the narrow economic interests of shareholders. Although the umbrella corporation is non-profit, with surplus revenues re-invested, profit can be generated in various departments or divisions.

The most significant difference between a standard business corporation and a community development corporation is best understood in terms of means and ends. In the CDC, profit is a *means* of measuring and ensuring efficiency and financial strength. In standard enterprises, profit is an *end in itself*. It thus reigns supreme so that the adverse effects of the pursuit of profit, such as the neglect of employee welfare and destruction of the environment are tolerated. When community well-being is the end, the pursuit of profit is not allowed to undermine that for which the organization is working. Nevertheless, unless effective business means such as capital accumulation and efficient management techniques are used, useful ends cannot be achieved.

Goals and Objectives

A fundamental premise in this discussion is that there is always an economic dimension underlying community problems. Hence the goal of restoring community autonomy involves the secondary goal of creating an entity which has a sound economic base — the business corporation. As such, the CDC must always have its own survival as a prime objective. It must earn its way. In establishing new business ventures two criteria are normally adhered to: (1) The proposed enterprise must be viable in a commercial sense; and (2) The enterprise must do some good for the community beyond the creation of jobs. Thus a CDC might find some ventures unacceptable even though they could create jobs and profit (e.g., dealing in illegal drugs). Often the board will establish subsidiary enterprises which can generate revenues and profits for the umbrella operation to enable it to become independent of charitable handouts and government grants.

Since a CDC is motivated by concern for the total good of the community, it will not limit its efforts to economic pursuits. Instead, the development of the economic base through the growth of capital serves as an instrument to achieve other meaningful goals. However, cultural and social objectives cannot be separated from economic realities. By incorporating them within an umbrella structure, each can be served.

With the financial strength provided by the business division, citizens seeking solutions to social problems can be more effective. For example, in the case of a community concern for the needs of the handicapped, a social committee can request the business wing to provide the physical resources for a home for the handicapped. Since the business division is organized to provide such commercial services, the social committee is spared the headache of pursuing an activity it is not equipped to handle. The business division frees the social group to devote its energy to policy and programming. A cultural group in the same CDC could then provide entertainment and even therapy for the handicapped residents.

Organizers in the CDC movement consider community social service programs to be ineffective short-term measures in the absence of a sound economic base. Such programs necessarily increase dependency. Recent government short-term job creation efforts such as the Local Initiatives Program and Canada Works fall within the broad social service category, at least in their implementation. The CDC approach sets out to combine social and economic concerns as two dimensions of one reality.

Naturally the success of such projects cannot be measured by the profit and loss standards of ordinary business. Yet the generation of income through sound business techniques is essential. A CDC is a delicate integration of social concern and business success. It is also a combination of government and private resources. Thus the term "third sector" is appropriate.

The goals and objectives must be established by the CDC itself if it is to become an instrument for local autonomy. However, this can lead to tension with governmental agencies who do not share the same views. I have had frustrating arguments with government officials who approve grants to a local corporation but then veto a good business decision it may take. Example: CDC; "We want to buy that parcel of land because it is a great bargain and we might be able to use it for housing in a few years. Even if we don't use it, it is a good community investment since it is bound to appreciate." Government official: "No, the money was given by our department and our mandate does not cover housing or land. You have to use that money in job creation."

Or: "We want to set up a business developing software programs for the tourist industry." "No, our department is only concerned with primary and secondary economic development and software is considered to be tertiary."

On the other hand, when we applied for money under a federal-provincial program for social development, we ran into problems because we were too involved in business. Government officials felt that our business orientation was outside the mandate of a program designed to help people on welfare.

What is really at issue is how much responsibility should be shifted from the central government to community groups. Although I favour the devolution of authority from the central government to community-based groups, I still maintain that the central government has the key responsibility to ensure that wealth is redistributed in society in a just fashion. Popular wisdom holds that governments are good at raising money, but they are not good at spending it.

Requirements for Success

Why do some businesses fail and others succeed? Many books have been written on the subject but the answers are still not clear. Determining the requisites for the

success of a CDC is even more complicated. Perhaps there is a good measure of luck involved, but experience does point out some obvious requirements:

- a solid base of local community support;
- skilled leadership;
- ability to undertake both business developments and the delivery of social services;
- ability to work cooperatively with, but independently of, government agencies;
- credibility among the local business community;
- ability to generate funds from a variety of sources;
- ability to relate business, social and cultural concerns;
- ability to structure and plan ahead.

The accent upon *ability* suggests professionalism and technocracy which to date have contributed to a stifling of development. Therefore, a clear distinction must be drawn between technical skills used for domination and self-interest as opposed to community service. A modern corporation, which a CDC wishes to be, cannot survive without a significant input of professional and technical skill. The underprivileged and the poor do not usually have the initial requisites to start-up in the business world except in minor and marginal projects. And while such projects may be extremely significant for the personal development of the participants, they are unlikely to have any significant impact upon the economic order.

Process and Participation

In the sixties many saw the purpose of community organization as the development of participation in and of itself. Citizen participation was more important than the end product, because the process gave participants an opportunity for personal development. Oppressed and downtrodden people found new dignity in being able to express their feelings and opinions. With the emphasis in a CDC upon the economic, this approach is unsuitable as an instrument for community mobilization or as a management-learning project for the underprivileged. Significant economic projects require competence in the skills and techniques essential for survival and success.

While a CDC wishes to have widespread participation in the direction of the organization, survival requires technical competence among people recruited to its board. New Dawn attempted a compromise. Several organizations were asked to name a delegate to the board and the other members were hand-picked. All board members share a sincere desire to improve their community, but the organization does not have a mass base. In Mondragon, there is only one board of directors overseeing 125 credit unions.

The question of an elite or a mass base is a key one. The Roxbury Action Program is a CDC organized in a depleted low-income neighbourhood of Boston. One of their major goals was to restore dignity and control to the alienated black residents. However, when time came to construct an apartment building, two options had to be considered. The tenants could either be organized into a co-op and participate in the construction phase, or the corporation could build on its own and organize the tenants afterwards. They chose the latter course since the committee structures and technical skills required to achieve results were simply not present among most of the low-income dwellers. A co-op would have been organized on paper, simply to sign documents, while management made all the decisions and did the work. Rather than accept such a charade, organizers followed an approach aimed at developing the tenants' skills after construction was completed, thus enabling them to learn how to progressively control more and more of their environment.

Middle-class people often forget their good fortune in being familiar and comfortable with a technically structured environment — division of responsibility

and task organization is automatic with them. But it is not natural and automatic to people from other backgrounds. This may explain why co-ops are organized by middle-class people in most cases.

While this is the reality, one should hardly be content with it. The long-term ideal is for everyone to participate and to have control over their destiny. The intent and the drive must be to encourage and promote active participation, but competence must remain a requirement. Experience has taught us that not everyone can do everything. Mass participation is not always appropriate for community economic development. Indeed the claim that the poor should help themselves and that middle-class people should not interfere can be a pretext for inaction. It is appropriate that representatives from all sectors of society participate in solving problems which affect the underprivileged — it is a problem for the whole community.

Role of the Board

A business corporation is a legal entity independent of the particular individuals working for it. This distinction is fundamental and the law is clear. When something goes wrong, final responsibility rests with the governing board, not staff. All employees are viewed as simply carrying out the policy directions laid down by the board. There are many types of progressive techniques to encourage staff participation, but the law views the board as supreme.

Since corporations can become very powerful, amassing huge amounts of capital and human expertise, accountability is a key issue. In the case of CDCs, which purport to serve the community, it must be clear as to how and why the organization acts in the way it does. It is no longer a case of a few individuals pursuing their private goals, but a corporate or common intention meant to reflect local/community interests. The concern is for greater community welfare.

In the British tradition, a clear distinction is drawn between political and executive authority. In simple terms, parliament develops policy, and the civil service implements it. Parliament and cabinet are intended to represent the wishes of the public. The civil service translates policies into programs of action. At the community level, the board of a CDC exists to express the interests and intentions of the local community. The staff of the CDC is then charged with the execution of these policies. There may well be, and should be, staff participation on the board, but such persons must then act as board members, not as staff members. They must wear a different hat. In many ways, it might be more appropriate to call the board a board of trustees, to indicate that they have a public trust.

In reply to those who claim that this middle level of activity is superfluous, that the government itself is capable of interpreting the public will and reacting, I strongly disagree. It seems to me that governments have become too large, cumbersome and distant to represent all local concerns. At the level of the central government, local realities become distorted. Governments have total responsibility, but in a very general way. A healthy government should encourage and assist self-help movements which respond to local concerns and problems. Governments have a clear duty to ensure that basic needs are met in a society, but they cannot do it all themselves.

Board Selection

In principle the board represents various community interests; but it must also monitor the activities of the corporation, and this requires a level of technical expertise. Indeed, the two functions are often in opposition; persons who are most typical and representative of the community rarely have the technical expertise to

direct the corporation, while the ones with the most technical expertise are rarely the best representatives of the community's interests.

The extreme democrat will want to have popular elections to the board. The obvious danger here is that the board will be popular but incompetent. Another option is for a small organizing group to hand-pick an initial board with a range of expertise and to balance this off with a cross section of community representatives. The two functions of representing the community and providing technical direction are frequently in opposition, but it can be a creative opposition, a kind of dialectic. However, each community is different and will have to work out this challenge on its own. It is essential, nonetheless, to be aware of the dilemma.

J.A.L. has a very democratic structure. The boards are elected by the members of each cooperative. In this case, each cooperative is independent, and each board has a narrow range of responsibility. The technical demands are therefore not heavy at the present time. Mondragon, at one level, is very democratic in that the board of each co-op is picked by the members. However, at the level of the Cooperative Bank and Ularco, the integrating levels, the board is more technically oriented, with the general managers having a preponderant voice. In the case of J.A.L., the board of the integrating body, SAIREQ, is comprised of the executive directors of each member corporation.

New Dawn has a hybrid board selection procedure. Some organizations, such as the Mira Community Pasture and the Council of Churches, were invited to name delegates. Other groups, such as the Board of Trade and the Labour Council, were asked to propose names for participation on committees and/or the board. The existing board also searches for willing nominees with particular skills, such as accounting or law. The LEAD corporations, funded under the Federal Canada Employment and Immigration Department, usually encourage popular district meetings where a board member is elected from the floor. Sometimes, they encourage local municipal governments to name delegates to the board.

There does not appear to be one ideal manner of selecting the board. It must be left to the creative dynamics of each community to arrive at a thoughtful mix of community representation and technical expertise. Every corporation must be organized according to the local reality. One community may have a high level of sophistication, so a purely electoral approach would result in a board with a good level of technical expertise (downtown Vancouver for example). Another community may be suffering from a long period of out-migration, so special measures would have to be devised to assure some technical expertise on the board (rural Cape Breton).

In selecting board members, the question of political affiliation is bound to arise. Since the board should represent the political interests of the *local* community, it must remain non-partisan. When a board becomes identified with one particular party, it may be inclined to do what is best for the party, rather than what is best for the corporation and the community. Given this danger, New Dawn decided early on that no elected political representative could serve on the New Dawn board, nor could electoral candidates. The public is inclined to be suspicious if community corporation board members are actively seeking public office.

When a board is non-partisan, it can more easily cooperate with any government which the people may choose to elect. So long as the community development corporation is seen to represent the general community interest, as opposed to a special interest group, it will receive popular support. The safest rule for dealing with political parties is: "No permanent friends and no permanent enemies."

Usually a board will have a few people who support each of the different political parties so some board members will be acquainted with the representatives of whatever government is in power, and will be comfortable communicating with them. An

executive director who received good support from the minister in party X will have a hard time when party Y comes to power. The board will not.

Board Education

In private corporations, where the only goal is the "bottom line," the role of the board is simplified. This role is more complex when the intention of the board is the general improvement of the community. It means that board members are required to be thoughtful about their community, what its problems are, and what can be done to remedy them. They must also possess a general awareness of the techniques of modern business. While they do not have to have these qualities to accept a nomination, they must be willing to learn and to develop. They, in fact, become involved in an adult educational process where everyone on the board participates in a process of on-going questioning and analysis.

A CDC usually receives support from government, community members, and previous staff and board members. When a person accepts to be a board member, s/he is therefore assuming a public trust. To acquit themselves of that trust responsibly, personal education is essential. The board of a CDC is continually involved in making choices among many options. It cannot do everything at once, so practical and viable choices have to be made. Is it more important to provide additional housing or build a vegetable greenhouse, a group home for the mentally handicapped or a health centre, or furniture factory; or is it more important to open a theatre, a music centre, or even a tavern? CDCs are on the cutting edge of corporate responsibility and their boards have to do a great deal of soul-searching.

In terms of meetings themselves, most people today are busy and do not want to waste time at meetings. If board activity is dull and routine, the work is drudgery. But the activity of a CDC can be made to be seen as a leisure activity. People put hours and hours into service clubs; they make a contribution and enjoy it. They can make a larger contribution through a CDC and enjoy it all the more. People look for entertainment. Certainly a good CDC board meeting can be more stimulating than a whole evening of television.

Regular board meetings always have a set agenda with a number of pressing questions concerning staffing, loans and budgets, and other administrative and business matters. If members limit their involvement to such routine board meetings, they will not create a dynamic CDC which holds their interest. Boards need opportunities to discuss and to dream freely. In Mondragon, this occurred in the informal setting of cafés and private homes. New Dawn holds at least one day-long session annually to discuss general directions. Some members also participate in community development courses at the local university. At J.A.L., there are frequent community meetings. Members also hold "network" meetings with other members of the CDC federation. New Dawn has gone so far as to establish a by-law which requires that at least one study session for board and staff be held each year. Outside resource people are invited to contribute ideas and criticisms. Stewart Perry, an American authority on CDCs, has frequently been invited to serve as a resource person at New Dawn workshops.

Almost every community has the resources to organize a series of study sessions for community development corporations. They can be semi-social affairs with room for discussion and conviviality. The formation acquired through these activities benefits members far beyond the specific duties required in the CDC. They provide an excellent opportunity to become more aware of the world around us. Some observers claim the cooperative movement lost its dynamism when education was neglected, when people stopped discussing and searching for new ideas.

Boards must plan for educational activities. One simple device is to make sure the board has an educational budget of its own, under board, not staff, control. It is also useful for the board to have its own secretary. An appropriate board secretary is often a semi-retired person willing to do interesting part-time work as a semi-volunteer for a modest sum. This, of course, is a labour of love.

Staff

Staff are employees with the technical expertise to get things done. They are the ones who put legs and feet under the high ideals of the board. It is unfortunate that in a large part of the cooperative movement staff have become alienated from the board. In many consumer co-ops, staff are not members of the co-op. Thus we have had the anomaly of co-op staff striking against a co-op board, an event which would have been inconceivable to co-op pioneers. It indicates, nevertheless, that the board-staff relationship can be difficult to work satisfactorily. On one hand, the CDC board can be very weak, with the executive director running a one-person show. On the other hand, the board can be a source of interference, with board members looking over the shoulder of staff and causing problems in day-to-day management. Then, if things go wrong, responsibility is blurred. The staff can blame it on the board, and usually such interference is blameworthy.

The operation appears to function best when board and staff clearly define their respective roles. A typical area of conflict concerns the relationship with elected representatives. I prefer a clear distinction, where board members talk to politicians and staff talk to civil servants. Admittedly, this distinction is difficult to maintain, but it is important to aim for. As in any corporation, the chief executive officer can become very powerful and prefer to deal directly with political representatives and cabinet ministers. However, this can backfire, and the chief executive officer can be left in a very vulnerable position when conflict arises.

Take the following scenario: The chief executive officer, seeking support for a housing development in neighbourhood A, meets with the cabinet minister. The cabinet minister needs votes in neighbourhood B. "If you build in B, I believe we can get a grant for sewer and water services under our present program. People in that area have been complaining about a lack of housing and, who knows, if the project goes through we might be able to arrange a grant for you to hire a staff person to help in B." This is attractive to the chief executive officer, obviously; but now the problem will be to convince the board to move the housing project to B, even though the board unanimously wanted it in A, a lower income area. The chief executive officer will say to him or herself: "I can make a profit if it is done in B, and use the money to get another housing project in A for next year." Of course, the chief executive officer has to rely upon the word of the cabinet minister who asked that it be kept confidential. Since the board meets only once a month, it is difficult for the chief executive officer to fully explain the new context. The CEO's tendency will be to search more intensively for affordable land in B than in A. Eventually s/he will tell the board that s/he has found land in B that is much cheaper than A, and so must recommend construction in B; and if they don't begin in two weeks, the government deadline for making the application will pass. The board does not have time to fully explore the question, so approval is given.

While there was really nothing overtly dishonest in the actions of the chief executive officer, s/he assumed the role of political contact person. S/he and the elected representative have each other's confidence, so they can help each other. Then, a citizen active in another political party finds out about the change and, hearing rumours the minister was working with the CDC to have the building site changed, complains to several board members. The board becomes aware of the broader picture

and becomes indignant. At this point the CEO loses credibility with the board and the entire organization can be threatened.

Additionally, public servants in the housing agency justifiably resent this type of political interference. They expect program criteria to be followed and frown upon a CEO who does an "end-run" around them to deal directly with the politicians to gain political influence. In future, that chief executive officer will have difficulty dealing with government officials in the housing agency.

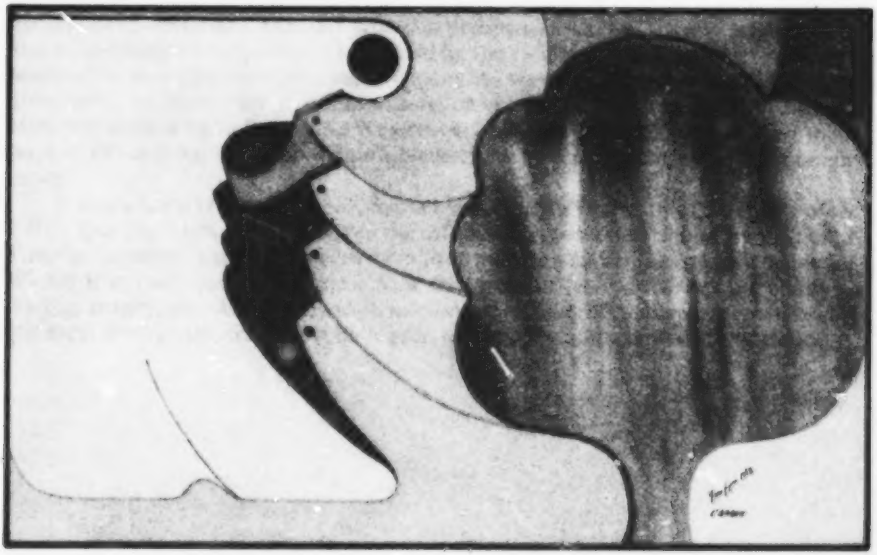
The role of the board is policy formation, general direction and monitoring CDC operations. The role of staff is implementation. In theory, the distinction appears clear, but in practice the respective roles can become blurred. Although the functions are different, both board and staff share a common endeavour. I like the Mondragon model. Here, the staff participates at a political level, in the selection of board members. Yet, once that political process is completed, the board acts as board and the staff acts as staff. The lines of authority and responsibility are very clear. Perhaps the ideal CDC board should include both community representatives and staff representatives. It is very important to remember, however, that once a person becomes a board member, that person must act in the best interests of the whole corporation, not for any particular business, group, or neighbourhood. Quite apart from the question of staff participation on the board, it is important that occasions be set aside for both staff and board to meet to exchange ideas on the future of the corporation. This is the purpose of the study days previously mentioned.

The unity and dynamism of the CDC will be maintained only if there is a body of shared values and common objectives. Board members are willing to volunteer their time and expertise because they consider these values important. In the same sense, staff are willing to work flat out because they also believe they are making an important contribution to the community and to society. Most CDCs have been able to attract a very special kind of staff person. These are people who are not satisfied with routine work and who rise to a challenge requiring a social commitment. Their measure of dedication is often reflected in a willingness to work for less than the prevailing rates in conventional business.

It should be evident by now that I am biased in favour of a hierarchical management system and a democratically selected board. I believe things can get out of hand if there is not one particular person who answers to the board on behalf of management. Internally, the staff should experiment in ways of sharing responsibility and heightening participation. This would be the result of shared values encouraging personal as well as community development. As was pointed out in the Mondragon discussion, the experience of group management has not been impressive in Europe. However, according to Peters and Waterman *(In Search of Excellence)* there are many ways to increase participation within a hierarchical system, as long as the unit remains small.

It may seem a crude metaphor, but in a sense the staff constitutes the engine of the CDC. This engine can be directed to the different purposes determined by the board. There is, however, a certain objectivity in determining whether the engine is adequate. Within that staff team, there must be a minimum of technical expertise, ability to manage money, plan, organize, adapt, monitor. As society becomes more complex, the technical level of the staff must be higher. Goodwill cannot replace competence.

START-UP AND FINANCING



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There is no magical formula for starting a CDC, no one established model. In the words of the cooperative pioneers, "You get bitten by the bug." However people get inspired, whether through a sponsoring organization, a community crisis, or a handful of "do-gooders" wanting to start something, the initial problems are similar. A small group equivalent to a board of directors will have to come up with an initial project. According to Dr. Moses Coady of the Antigonish movement, "each group had to find its lobster." The fishery co-ops succeeded in their early days when they discovered the lucrative Boston market for lobsters. Mondragon found that they had a talent for making metal stoves for which there was a market demand. New Dawn began when there was an upswing in the real estate market. J.A.L. in Quebec took advantage of their forests.

The way each new organization began was different in all the cases I examined. This is to be expected when organizations are rooted in local communities which each have a distinct personality. The common trigger for action is the desire to bring about change. What concerns us here is how this energy can be harnessed in the most effective way possible to avoid expending a great deal of effort on a project only to see it fail.

A rule of thumb is that we can learn from established CDCs. We can gain an advantage by avoiding the mistakes of others and seeing how we may imitate their successes. Networking and information sharing is valuable in that it can save us all from trying to re-invent the wheel. While it would be naive to try to duplicate

Mondragon, we can learn a great deal from their experience. While there, I sought out a project organizer to learn how they initiate new enterprises today. Our discussion was very rewarding for me, and is worth recounting.

A Mondragon Example

Francisco Montero, an industrial engineer, is a development specialist in the entrepreneurial division of the credit union. He explained that traditional banks usually see their purpose as holding and lending money for profit. For their credit union, however, money is seen as a means of realizing their real purpose: to promote the development of new or existing enterprises. Over the years, the entrepreneurial division has developed a very sophisticated method of initiating new ventures. Since 1971, it has set up 12 new enterprises employing over 2,000 workers. Montero's shelf is lined with reports on products which could be appropriate for production in the Basque region.

Product selection is carefully screened. Products which would require capitalization costs of over $40,000 per worker employed are excluded. Projects requiring more than 500 workers are also avoided. Experience has shown that it is extremely difficult to establish a spirit of solidarity and collaboration among higher numbers of workers. Very small enterprises are shunned as well, dismissed as "churro-stand" development (churro stands are like our hot-dog stands). Francisco refers to this type of small project as "egotistical" development, good for the few individuals involved, but of no real impact on the larger community.

This is a recurring theme among credit union leaders: their objective is to have an optimal impact on the whole community, not simply to help a few select individuals. Part of the Mondragon philosophy and education is the idea that members must assist other groups get established and grow. When one enterprise is in financial difficulty, the others are expected to help.

In the Mondragon way of thinking, new enterprises can get established only with the help of other groups and individuals who provide the necessary capital and expertise. That being so, the new enterprise owes a debt to the rest of the community and has a moral responsibility to act for the general good of others.

I asked Francisco to tell me about the most recent enterprise established through their system. It turned out to be a factory producing frames for eyeglasses. This information was amusing to me because of a conversation I had had with some friends in Barcelona concerning the impressive successes of Mondragon. One of them had said: "Well, I wish they would get into the eyeglass business. Most of the glasses are imported and the prices are out of this world. It's a real exploitation of the public." The conclusion of people in Mondragon turned out to be the same.

The project started when some ten unemployed people from the town of Zarauz got together to look for a way to find work. They approached the entrepreneurial division of the credit union and began a process which would last five years. Together with a development officer, they studied and discussed what they could do. Eventually they chose someone to act as manager of their company.

In the Mondragon approach, prospective employees must agree on who will be the first manager before incorporation can take place. Each member of the new group was also required to invest an amount equivalent to one year's salary for an unskilled worker. In Spain, this is roughly equivalent to $6,000, so the ten workers contributed a total of $60,000.

The manager, Juan Maria Iraeta, then began a one-year training program. With the aid of technical advisors, he and his group of workers examined a variety of proposals before settling, finally, on eyeglass frames.

Next, they set out to gather all the information they could find on the production of eyeglass frames with a view to setting up the most modern factory possible. Following visits to factories in Europe, the U.S. and Japan, they finally identified a French firm with which to collaborate. They obtained a production license from the firm, and, through contract, they purchased the required technology and technical assistance.

At the same time, market surveys, feasibility studies and business plans were carried out. The credit union follows an important and unusual principle: they intentionally select a manager who knows nothing about the product. A prospective overseer with experience of bad management and poor technology can be a hindrance. The belief is that it is more difficult to break old bad habits than to learn new good ones, as reflected in the thoughts of the Zen writer Shunryu Suzuki: "If your mind is empty, it is always ready for anything: it is open to everything. In the beginner's mind there are many possibilities; in the expert's mind there are few." (*Zen Mind, Beginner's Mind*, 1970). When all reports and studies had been completed, they were turned over to the financial division of the credit union. Only after the financial advisers had given approval did the group become incorporated as Ikus XXI.

Now, who pays the bill for all the obvious expenses incurred? All expenses such as travel and the apprentice manager's salary are charged to the project. The original group who put up their own money are personally liable, but if the project could not have continued, the credit union would have re-imbursed them up to $50,000 to pay off the debt. Anything over $50,000 would have to be paid by the individuals themselves. In the case of Ikus, the group continued and was incorporated. Hence, all expenses were charged as a loan against the new corporation. However, the development officer's time and other technical assistance from the entrepreneurial division are not costed. They are freely donated by the credit union. In exchange — and this is the other side of the coin — the new cooperative agrees to donate 10 per cent of its first five year's profits to the credit union. Usually profits are expected in the fourth and fifth years. This appears eminently fair since it enables the credit union to provide the same assistance at no charge to the next group which comes along. The principle is always that each cooperative must help the others.

The new cooperative began operations in a rather conservative way, that is on as small a scale as possible. Rather than buying or building facilities, it rented premises. All operating expenses were kept as low as possible. As the co-op becomes better established, it will increase in scale. The entrepreneurial division will continue to provide advice and managerial expertise during the first year. As part of the financing agreement with the credit union, Ikus agreed to an audit every three years. They also agreed to submit a yearly budget and monthly financial statements. At the credit union, a computer program matches the monthly statements with the annual budget. If serious deviations are signalled, the credit union will request permission from the Ikus board to intervene.

Company Takeovers or Bailouts

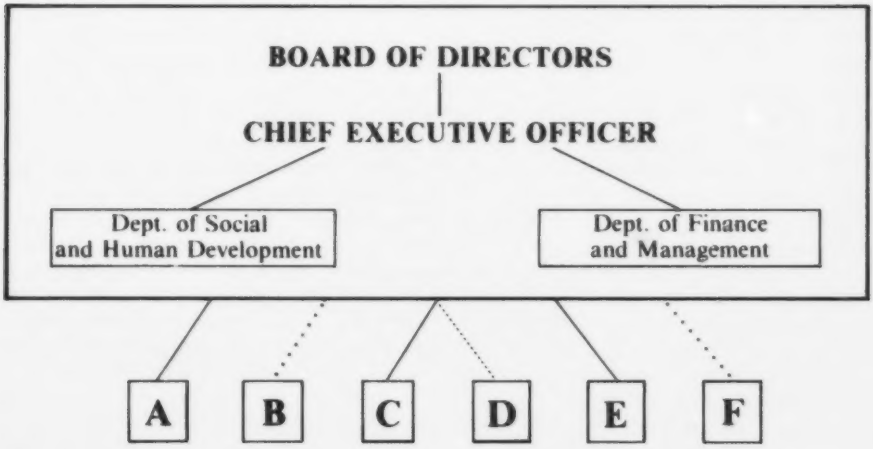
By now, some readers may be thinking of Canadian companies in trouble which could be taken over by workers in the Mondragon fashion. In my mind, I was already mapping out a campaign to have our Cape Breton steel plant and coal mines turned over to workers. When I shared these thoughts with Francisco, however, he was completely negative. He stated that, in their experience, it simply doesn't work. Such companies are usually in trouble because of some major problem, such as bad management or poor labour relations. The new cooperative simply inherits old problems. It is much better to let the old company die, then pick up the pieces which are

still useful and can be integrated into a new structure. Old attitudes and habits are hard to change. Ikus is a small and simple company, but five years were spent preparing its implementation. During this time, the future manager and workers underwent a comprehensive educational process.

The kinds of support Ikus received are what people in community cooperatives and non-profit corporations dream of. Imagine the headaches such forward planning avoids. Yet how many of them would accept the other side of the coin? The Mondragon credit union does not simply trust in the loyalty and support of all cooperative members. (How many cooperatives in North America switch their accounts to banks when they feel they no longer need the credit union?) Mondragon has what it calls a Contract of Association between the credit union and each member cooperative. According to the contract, the member will be provided appropriate financing but in return the cooperative member is obliged to deal *exclusively with the credit union*. The member must submit various financial reports, including a monthly profit and loss statement. Each member cooperative also agrees to periodic inspections by the credit union's audit department, and to maintain a five-year budget.

An Operational Model

At this point, it is appropriate to propose a model which draws upon my experience in New Dawn as well as my observations of J.A.L. and Mondragon. Fundamentally, I view a community development corporation as a core or umbrella organization which initiates enterprises and projects. The latter are "clients" that purchase services from the core. The relationship may vary in each case, as is indicated below.



Legend:

———— wholly owned subsidiary
..... partially owned or joint venture
. . . . . simple client enterprise with no legal relationship

The client enterprises could relate to the core in much the same way a conventional business relates to a chartered accounting firm. Various services are purchased. The nature of these services is holistic however, covering a much broader

range. For example, enterprise A could be a furniture manufacturing, joint stock company, with all shares owned by the CDC.

B could be a theatrical company purchasing accounting and managerial services from the CDC. C could be a non-profit subsidiary with the same board as the mother corporation. D could be a fish plant with 60 per cent of its shares owned by the plant employees. F could be a small, privately owned local business requiring financial and technical assistance, such as the development of a better management structure. In each case, there will be a different service contract with the core.

The level of direction imposed upon the client enterprise by the umbrella corporation will vary according to the circumstances. The core provides services for which the client pays. The fee for service, as well as the profit generated by the share capital, should provide the required income to maintain the operations of the CDC.

CDC's finance and management department could probably operate along the lines of a financial company, providing capital as well as technical services. It could provide the much needed "after-care" which fledgling businesses require. It could be a receptacle for institutional funds provided by churches and pension funds wishing to invest in socially responsible businesses.

The Department of Human and Social Development would be essential for maintaining a social audit of all the related enterprises. It could be involved in the education and development of board and committee members. It could facilitate relations between enterprises and the community to ensure the most favourable possible social impact. This is particularly important in areas of high unemployment where more creativity is required in devising apprenticeship programs, work for the handicapped, job sharing, educational leave for workers and so on. This department would also examine long-term societal trends, such as the shift from secondary manufacturing to the service sector. It would be sensitive to the lack of information services and high technology in hinterland areas, and would seek to respond with new initiatives. Besides assisting board committees in developing the orientation of the total corporation, this division could help initiate a wide variety of social service projects, such as senior citizen residences, voluntary resource centres and various cultural projects. It is easy to forget that cultural and social activities can stimulate economic growth as easily as manufacturing. Social and entertainment services provide an increasing number of jobs in post industrial societies. Any community which overlooks its social and cultural development is therefore neglecting its economic development. Each CDC has to make its own creative discoveries, and this is part of the learning process essential for long-term survival.

After completing this chapter I invited Jesus Larranaga, one of the Mondragon founders, to read it for critical comment. His key criticism was that I overlooked providing adequate mechanisms to ensure employees become vitally involved and committed. The danger in my emphasis upon the general community as the principal stakeholder is that the role of the employees as special stakeholders will be neglected. Jesus pointed out that my model would work well if employees were 100 per cent altruistic. Of course, human reality does not approach that level of perfection. He suggested I build in techniques for employee incentives. While I agree with his criticism, I leave it to each community enterprise to devise the best method of employee involvement.

When a corporation is established as a result of government initiative and sponsorship, it is apt to adapt to government regulations and will usually seek government approval before starting projects. A community-based organization, on the other hand, will pressure government to adapt to local demands.

A basic difference exists, also, between an organization which views itself as an agency delivering government programs, and one which views itself as a business

corporation. Money, for example, will be managed in different fashions. An agency is given a yearly budget and asked to administer it efficiently, according to a set of regulations. A business corporation must generate enough money to pay its expenses. The attitudes are very different. A group which views itself as an extended agency of government will disband when the government grant runs out. The one which operates as a community corporation will continue, since it is based in the community, not in government. Every CDC should have government support, however. In this third sector, collaboration between government and private groups is essential. Most large corporations in the free enterprise system receive government aid in one way or another. Any group which attempts to operate without any government assistance is short-sighted.

To re-iterate, the *establishment* of a CDC can only be achieved successfully through local initiative. Once established, however, the fledgling CDC should welcome financial support from any source. These are: grants from any of the three levels of government; foundations; churches; private business; individual donations; and, cooperative institutions. Whatever its source, the board should view the monies as share capital to be managed shrewdly and efficiently. The goal should be to assure the long-term survival of the community corporation itself. No social objectives can be achieved if the corporation itself does not survive.

A type of contribution that is often overlooked is the time, expertise and voluntary efforts of community supporters. Such contributions can be worth a lot of money and may be seen as an indicator of community support and confidence. I remember being stopped on the street by a lawyer who said, "Look, I hear about the kinds of things you people are doing. If you need any legal help, don't hesitate to call me." We did call on him and his help was worth a great deal to us. The same lawyer, now retired, remains very actively involved in New Dawn.

On another occasion, New Dawn was looking for land for building purposes, but it could not pay the market price. A long-time businessman sold the corporation land worth $125,000, for $70,000. He said he would not have done so for a private speculator, but he approved of the contribution New Dawn was making. Many involved in community development corporations have had similar experiences. However, if the corporation is seen as an arm of government rather than of the community, it is amazing how prices rise and volunteers fail to appear.

The danger with government grants is that corporations can be forced into bad business decisions. This possibility is clear in the case of government-funded LEAD corporations, for example. They will face dilemmas such as choosing between a strongly viable enterprise with three employees, or a less viable one with thirteen employees. The local manager will opt for long-term survival, while the government advisor will want the increased number of jobs even though they are short term. The LEAD program, one of the most ambitious for assisting local development, can thus easily develop into a program-delivery agency for job creation rather than a support mechanism for the creation of long-term, self-sustaining enterprises.

A community development corporation should view money provided by government grants as an investment that must generate additional money. Government funds come from ordinary citizens, so they represent a community investment in the CDC and should be treated as a public trust. When the money has been well managed, it should provide the justification for further investment by government or other public interest groups. A sensible government approach to assist new community groups would be to start with small amounts of money. When a group has demonstrated that it can manage well, it could then be entrusted with greater amounts. In this context it is surprising that policy under the federal government's LEAD program is to insist that *new* organizations must be established to manage

LEAD funds (which are in the order of a quarter of a million dollars per year), but established community organizations, such as New Dawn, are ineligible.

The most important element in setting up a CDC is the people involved. Whether elected through mass meetings or recruited by recognized leaders, it is essential that they be people of integrity and ability. They must be identified with local interests. Early projects must be visible and of sizeable scale. Social organizations often use a tremendous amount of people's time to carry out very small projects. If volunteers are going to donate their time and energy, the organizers should make sure it is obviously worthwhile. Charity-type fund-raising projects should be avoided. The results are often discouraging and not worth the effort. The same energy can achieve more worthwhile results if a business approach is used.

Since a CDC is a non-profit organization and all gains are turned over to community improvement, the danger of vested interest is reduced. The free-enterprise business community will find it difficult to object to a non-profit company receiving some government support so long as profits are returned to the community and the operation is well-run. After all, most large businesses receive government subsidies of some type. Finally, moral commitment cannot be replaced by rules or structures. Sincere commitment by the members is essential. No government rule or special technique can eliminate the need for trust and integrity.

A CDC has to begin small. As it establishes roots, and as it grows, it is able to accomplish more for the community. It takes time, patience and loving care. It involves special techniques as well as common sense and human sensitivity. As a living thing, it is part of the life of the local community. It will have lean times and fat times. As it prospers and blossoms it will make the community a much better place to live in.

EPILOGUE

From the perspective of a depleted community, the future can appear bleak. Imagine, for a moment, that you are living in Glace Bay, Nova Scotia. The unemployment rate is hovering around 30 per cent, then, when the coal mine closes in 1984, the rate jumps to over 50 per cent. Next, fire destroys the fish plant and people stop talking about the unemployment rate. Nationally, the government is cutting back on social benefits and entertaining the idea of an increase in defence spending. In the midst of all this, a fish-plant worker is interviewed on radio about her plight: "Things are tough. We will miss a few payments on the mortgage and we will have to cut down on our groceries. But things have been tough before and we got through. We've done it before and we'll do it again — we will manage."

The magnitude of the problems we face can sometimes paralyze us into inaction. Yet the bleakest of problems can become a challenge if the spirit is right. The past can also be a discouragement. The limitations of the cooperative movement, the demise of the Company of Young Canadians, the merely short-term impacts of the government's former LIP grants and the Canada Works — all may seem like failures on one level. On another level, they represent the building blocks of a learning experience that can help us work toward a more just and promising future.

Today we are faced with new realities. It is no longer appropriate to point out where past actors went wrong. They lived in a world different from ours. The main protagonists were ghosts from the nineteenth century: left-wing communists and right-wing free-enterprise capitalists. The twenty-first century is a new challenge requiring fresh thinking. Perhaps we will now be more modest, aware that there is no certainty about the answers and that there is no perfect solution. T.S. Eliot once said that "fools dream of systems so perfect that you don't have to be good."

But things can be done, progress made, if the attitude is positive. I have discussed three community experiments. There are many more. People are trying to find new solutions. The Seton Foundation in Glace Bay has $12 million in home construction to its credit over the last ten years; the Mira Community Pasture Co-op assembled over 600 acres of land to support small part-time farmers; HRDA in North-end Halifax has recycled a portion of the city welfare budget to create over 90 jobs, and has sales of over one million dollars; MCGDIL in Guysborough has assisted projects such as a rural bakery and a boat-building co-op; and, the Nanaimo Community Employment Advisory Society has renewed parts of the salmon industry, while in Manitoba, the Dakota Ojibway Development Group has established businesses such as the manufacture of fishing tackle. In the United States there is a string of fascinating self-help economic initiatives, from the Bedford-Stuyvesant Group in New York, to the Spanish Speaking Unity Council in California. They cannot all be named here, but a partial list is provided in Appendix I.

None of the experiments in community development are perfect. Each has strengths and weaknesses. It is tempting but mistaken to expect one organization to be all things to all people. In your community a CDC may be very useful, and it may do wonderful things; but it does not have to replace the cooperatives, the advocacy groups, the charities, the political parties, and so on. A community development corporation is a new part of the mosaic which gives vitality to a community. Many of the new ones are fledgling and uncertain. May they and many more like them bloom and grow to help change our world into one of peace and prosperity.

APPENDIX I

Contacts

The following addresses may be useful for those who would like further information concerning the ideas contained in this book.

New Dawn Enterprises
P.O. Box 1055
Sydney, N.S.
B1P 6J7. Tel.: 539-9560

Human Resources Development Corp.
5555 Young Street
Halifax, N.S.
B3K 1Z7. Tel.: 453-2982

MCGDIL
P.O. Box 199
Guysborough, N.S.
B0H 1N0.

Sudbury 2001
67 Elm St. E.
Sudbury, Ont.
P3C 1S5

Kleda Corporation
P.O. Box 128
Kirkland Lake, Ont.
P2N 3M6.

Is Five Foundation
467 Richmond Street
Toronto, Ont.
M5A 1R1. Tel.: 366-1518

ADEL KENT LEDA
C.P. 668
Buctouche, N.B.
E0A 1G0. Tel.: 743-6070

Calder Action Group
13023-116 St.
Edmonton, Alta.
T5N 3V1. Tel.: 454-2033

Richmond County Development Corp.
P.O. Box 658
Louisdale, N.S.
B0E 1V0. Tel.: 345-2432

Bras D'or Institute
University College of Cape Breton
P.O. Box 5300
Sydney, N.S. Tel.: 539-5300

National Congress For Community Economic Development
1828 L Street, N.W.
Suite 401
Washington, D.C. 20036
Tel.: 659-8411

Institute For New Enterprise Development
10 Hilliard Street
Cambridge, Mass.
Tel.: 491-0203

Dakota Ojibway Development Group
Room 400
213 Notre Dame Ave.
Winnipeg, Man.
R3B 1T0

Nanaimo Community Employment Society
241 Selby Street
Nanaimo, B.C.
V9R 2R2. Tel.: 378-4235

S.A.I.R.E.Q.
148, rue de la Cathedrale
Rimouski, Que. Tel.: 724-7245

Maria Jesus Zabaleta
Jefe de Relaciones Publicas
Caja Laboral Popular
P.O. Box 34, Mondragon
Guipuzcoa, Spain
Tel.: 943-791044

New Deal Corporation
18 King Street
Sydney Mines, N.S.
B1U 1L8 Tel.: 736-3796

APPENDIX II

Activities of Community Development Corporations

Société d'Aménagement Intégré des Ressources de l'Est du Québec S.A.I.R.E.Q.

The following information comes from a 1981 S.A.I.R.E.Q. report. While there have been many changes since that time, nevertheless the figures are useful in providing a sense of the scale of their operations.

1. **J.A.L.** — La Coopérative de Développement Agro-Forestier du Temiscouata et le Groupement Forestier de l'Est du Lac Temiscouata.

2. **Le Groupement Agro-Forestier de la Restigouche**
   - Agro-forestry: woodlot management and reforestation; 21,000 acres
   - Restigouche Farms Inc.: 600 acres and 145 head of cattle
   - Impact summary: 220 members; 103 permanent and 40 seasonal jobs.

3. **La Société d'Exploitation des Ressources de la Valle**
   - Agro-forestry: woodlot management and reforestation; 90,000 acres
   - Les "Fermes Boval": 400 head of cattle
   - Hothouses: tomatoes and cucumbers
   - Abbatoir (slaughterhouse)
   - Tourism: five tourist chalets; nature park at Farisault
   - Impact summary: 1,000 members; 350 permanent and 110 seasonal jobs.

4. **La Société d'Exploitation des Ressources des Monts**
   - Agro-forestry: woodlot management and reforestation; 75,000 acres
   - Assisted with sawmill at Matabois; hardwood project for home heating; fishermen at Mechins
   - Impact summary: 353 members; 175 permanent and 15 seasonal jobs.

5. **La Société d'Exploitation des Ressources de la Métis**
   - Agro-forestry: woodlot management and reforestation; 37,500 acres
   - Manufacturing: assisted with a clothing factory, a butter factory, a woodstove factory, a clay quarry, and a hardwood project for home heating
   - Impact summary: 450 members, 150 permanent and 50 seasonal jobs.

6. **La Société d'Exploitation des Ressources de la Neigette**
   - Agro-forestry: woodlot management and reforestation; 30,000 acres
   - Sheep farm: 800 head
   - Cooperative sawmill
   - Assisted with a rope factory, a garage, hothouses, and woodcraft projects
   - Impact summary: 650 members; 90 permanent and 30 seasonal jobs.

7. **La Société d'Exploitation des Ressources de Basques**
   - Agro-forestry: woodlot management and reforestation; 40,000 acres
   - Charcoal factory
   - Assisted with restoring 3,000 acres to farm land and various tourist projects
   - Impact summary: 334 members; 100 permanent and 30 seasonal jobs.

8. **Le Groupement Forestier et Agricole Taché**
   - Agro-forestry: woodlot management and reforestation; 35,000 acres
   - Maple sugar plantation
   - Impact summary: 200 members; 105 permanent and 15 seasonal jobs.

9. **Corporation Agro-Forestière Transcontinental Inc. et La Coopérative d'Aménagement des Ressources du Transcontinental**
   - Agro-forestry: woodlot management and reforestation; 18,000 acres
   - sawmill, 400-acre farm, asparagus farm, hothouses, potato farm, and handcraft project
   - Impact summary: 124 members; 75 permanent and 25 seasonal jobs.

MONDRAGON

1. **Cooperatives producing capital goods** (31 enterprises)

Sales — $135 million
Exports — $35 million
Personnel — 3,806
Samples — high speed and hydraulic presses, automatic lathes, special-use grinders, radial drilling machines, electronic measuring machines, robotized presses, die molds, transistorized servodrivers, transformers, heavy duty industrial kitchen and laundry equipment, refrigeration chambers, backhoes and excavators, boats, steam generators, bus bodies, trash crushers, plastic material transformers.

2. **Cooperatives involved in casting and forging** (7 enterprises)

Sales — $71 million
Exports — $26 million
Personnel — 1,876
Samples — iron and bronze pipe fittings, crankshafts, grain dryers, nodular castings.

3. **Intermediate goods** (26 enterprises)

Sales — $115 million
Exports — $32 million
Personnel — 3,822
Samples — rubber and plastic products, hot forged bolts, injected plastic parts, gas valves, enamelled copper wire, electric hot-plates, rectifier diodes, TV tuners, snap-action thermostats, centrifugal pumps, cardboard packages, advertising brochures, brakes and clutches, common wire nails, fish processing equipment, mobile workshops, peritoneal dialysis equipment (medical), heart monitors.

4. **Consumer Goods**

Sales — $250 million
Exports — $69 million
Personnel — 4,567
Samples — vegetables (greenhouse), wine, milk and cheese, lumber for do-it-yourself, insecticides, furniture, water heaters, steam irons, washers, bicycles, camp equipment, stereo speakers, lighting systems, eyeglasses, toys, bathroom fixtures, pressure cookers.

5. **Construction** (5 enterprises)

Sales — $45 million
Exports — $8 million
Personnel — 1,511
Samples — electrical hoists, houses, apartment buildings, steel structures.

6. **Services** (4 enterprises)

Sales — $157 million
Personnel — 1,421
Samples — chain of consumer stores, data-processing centre with financial control service, industrial service systems (ventilation), meals, factory cleaning.

Total sales by commercial co-ops excluding the bank is close to one billion dollars in Canadian equivalency with a work force of over 18,000.

7. **Cooperative bank or credit union** (Caja Laboral Popular)

Branches — 132
Employees — 1,121
Clients — over 300,000
Assets — over $125 million

For further information write to: Maria Jesus Zabaletta, Jefe de Relaciones Publicas, Caja Laboral Popular, Mondragon, Guipuzcoa, SPAIN. Telephone: (943) 791044; Telex: 36660 CLP-E.

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LIST OF ABBREVIATIONS

AVTC	— Adult Vocational Training Centre
CDC	— Community Development Corporation
CRD	— Commission Régionale de Développement
BAEQ	— Bureau d'Aménagement de l'Est du Québec
GRIDEQ	— Groupe de Recherche Interdisciplinaire en Développement de l'Est du Québec (centred at the Université du Québec at Rimouski)
JAL	— The name of the Community Development Corporation centred at Lejeune in Quebec
HRDA	— Human Resources Development Association, a CDC located in the north end of Halifax
LEDA	— Local Economic Development Assistance (a federal Manpower program to assist select organizations to create new jobs)
LEAD	— Local Employment Assistance and Development (the successor to LEDA designed to assist community groups to assist job-creating enterprises)
LEAP	— Local Employment Assistance Program
LIP	— Local Initiatives Program (a federal Manpower program to fund community make-work projects)
SAIREQ	— Société d'Aménagement Intégré des Ressources de l'Est du Québec (the federation of CDCs east of Rimouski)
ULARCO	— a federation of producer cooperatives centred in Mondragon

The Canadian Council on Social Development

WHAT IS CCSD?

Founded in 1920, the Canadian Council on Social Development (CCSD) is a national non-governmental, non-profit organization. Through independent research, policy analysis, community consultation and information sharing, the CCSD provides a forum for citizen participation in the formulation of enlightened social policies.

The CCSD is the only national organization whose mandate and involvement embrace all aspects of social development and social policy. Since its beginning, the Council has been actively involved in the evaluation of existing programs, the identification of essential improvements, and the promotion of needed developments. It has been a positive, non-partisan advocate of social measures such as universal inoculation, pensions, unemployment assistance, workmen's compensation, medicare, legal aid, daycare, and social and cooperative housing. The Council played an active role in the development of the Canada Assistance Plan and the Child Tax Credit, and has been a promoter of the Guaranteed Annual Income concept.

The CCSD is not a "think tank". It is the only national social research, advocacy and policy organization with an open public membership. CCSD's analyses, opinions, research and information reflect not only highly professional technical work but also the active analysis and shared experience of its broadly representative membership.

The Council's diverse membership includes concerned individuals as well as representatives from business, labour, government, public and private service organizations, voluntary associations and institutions. An annual meeting of the membership reviews the year's program and financial activities. Council activities are directed by a voluntary 39-member Board of Governors. Board members are formally elected at the annual meeting for terms of one, two and three years.

The CCSD is a major publisher in the field of social development. Publications include: research reports and policy briefs; **Perception,** a bi-monthly, bilingual magazine of social comment and analysis; **Overview,** a quarterly newsletter reviewing current national developments.

The Canadian Council on Social Development

Membership Information

AS A MEMBER OF THE COUNCIL,

- you support work aimed at improving our social and economic environment;
- you participate in a network of other people sharing your social commitment;
- you are continuously informed of innovative ideas and major developments as they occur.

YOU ARE ENTITLED TO

- **Perception,** our bimonthly magazine on social development;
- **Overview,** our newsletter linking the Canadian human services community;
- Preferential rates for participation in Council conferences and workshops;
- Information about new publications;
- The Council's annual report;
- Voting privileges at annual meetings.

AGENCY MEMBERS ALSO RECEIVE

- occasional free publications;
- two issues of **Perception** and **Overview**;
- other CCSD newsletters such as **Initiative** and **Crime Victims**;
- access to CCSD resources for consultation.

Membership Fees

Individuals:

□ Participating	$40
□ Sustaining	$75

Organizations:

Annual budget

□ less than $100,000	$ 75
□ $100,001 to $300,000	$125
□ over $300,000	$200
□ Affiliate	$500

Libraries: $40

Municipalities:

□ per 1,000 population	$2.50

Membership Application

Name _____ Payment: □ _____ $ Enclosed

Organization _____ □ Bill me _____ $

Address _____ □ Visa

_____ No _____

_____ Expiry Date _____

_____ **Postal Code** _____ Signature _____

Return to: CCSD Membership Services, 55 Parkdale, P.O. Box 3505, Stn. "C" Ottawa, Ontario K1Y 4G1

The CCSD is a non-profit organization registered under the Tax Act relating to charities, and tax receipts are issued for all donations and financial contributions.